

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In re PARMALAT SECURITIES LITIGATION

This document relates to: All Cases

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: 04 Civ. 0030 (LAK) ECF Case
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: FIRST AMENDED CONSOLIDATED
: CLASS ACTION COMPLAINT FOR
: VIOLATION OF THE
: FEDERAL SECURITIES LAWS
:
:
: ELECTRONICALLY FILED
:
:
: DEMAND FOR JURY TRIAL

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I. SOURCE OF THE ALLEGATIONS

1. Plaintiffs Hermes Focus Asset Management Europe, Ltd., Hermes European Focus Fund I, Hermes European Focus Fund II, Hermes European Focus Fund III, Cattolica Partecipazioni, S.p.A., Capital & Finance Asset Management, Societe Moderne des Terrassements Parisiens, Solotrat, Laura J. Sturaitis and Arch Angelus Sturaitis and Paulo Bianco (collectively, the “Plaintiffs”), on their own behalf and on behalf of all other purchasers of securities of Parmalat Finanziaria S.p.A. and its subsidiaries and affiliates (“Parmalat” or the “Company”) (such purchasers, along with Plaintiffs, are referred to collectively herein as the “Class”) between and including January 5, 1999 and December 18, 2003 (the “Class Period”), by and through their attorneys, allege the following upon information and belief, except as to those allegations concerning Plaintiffs, which are alleged upon personal knowledge. Plaintiffs’ information and belief are based upon, among other things, their investigation, through their counsel, including without limitation:

(a) the unequivocal admissions and confessions of wrongdoing by members of Parmalat’s Board of Directors and top level of senior management including, but not limited to, former Parmalat Chief Executive Officer Calisto Tanzi (“Tanzi”), his son Stefano Tanzi (“S. Tanzi”), former Parmalat Chief Financial Officers Fausto Tonna (“Tonna”) and Luciano Del Soldato (“Del Soldato”), former Parmalat internal accountants Gianfranco Bocchi (“Bocchi”) and Claudio Pessina (“Pessina”), and former Bank of America bankers Luca Sala (“Sala”) and Luis Moncada (“Moncada”);

(b) Plaintiffs’ review of internal Parmalat documents including, but not limited to, communications and other documents relating to Parmalat’s relationship to and business dealings with the auditors and banks named as defendants herein and other third parties;

(c) the First Amended Complaint filed by the United States Securities and Exchange Commission (“SEC”) against Parmalat in the United States District Court for the Southern District of New York, styled as *Securities and Exchange Commission v. Parmalat Finanziaria S.p.A.*, Civil Action

No. 03 CV10266 (PKC), alleging violations of Section 10(b) of the Securities Exchange Act of 1934;¹

(d) the complaint originally filed in the Superior Court of New Jersey by Dr. Enrico Bondi (“Bondi”), the court-appointed Extraordinary Commissioner of Parmalat, on behalf of Parmalat, Parmalat S.p.A. and their subsidiaries and affiliated companies against Citigroup, Inc. and certain of its affiliates, styled as *Bondi v. Citigroup, Inc., et al.*, and removed to the United States District Court for the District of New Jersey, Docket No. 2:04-CV-04373-DMC-MF (the “New Jersey Complaint”);

(e) the complaint originally filed in the Circuit Court of Cook County, Illinois by Bondi as Extraordinary Commissioner of and on behalf of Parmalat, Parmalat S.p.A. and other Parmalat subsidiaries and affiliated entities against Parmalat’s former auditors, Grant Thornton International, Grant Thornton LLP, Grant Thornton S.p.A., Deloitte Touche Tohmatsu, Deloitte & Touche USA LLP, Deloitte & Touche LLP and Deloitte & Touche S.p.A., styled as *Bondi v. Grant Thornton International, et al.*, and removed to the United States District Court for the Northern District of Illinois, Docket No. 04-CV-6031 (the “Illinois Complaint”);

(f) the complaint filed by Bondi as Extraordinary Commissioner of Parmalat, Parmalat S.p.A. and other affiliated entities against Bank of America Corporation, Bank of America National Trust & Savings Association, Banc of America Securities, LLC, Banc of America Securities Limited, Bank of America International, Ltd. and Bank of America, N.A., styled as *Bondi v. Bank of America Corp. et al.*, pending in the United States District Court for the Western District of North Carolina, Docket No. 1:04-cv-215 (the “North Carolina Complaint”);

(g) Plaintiffs’ review and analysis of filings, reports and other documents and information concerning Parmalat and its various subsidiaries and affiliates (as described herein) filed with or on record with government agencies and tribunals including, but not limited to, Italian securities regulator Commissione Nazionale per le Società e la Borsa (“CONSOB”) (the Italian counterpart to the SEC), the Criminal Court of Milan, Italy, the Criminal Court of Parma, Italy and the Civil Court of Parma – Bankruptcy Division;

(h) a Writ of Attachment issued by the Court of Parma on June 21, 2004;

(i) the Indictment filed in the Milan Criminal Court on May 26, 2004;

¹ According to testimony Ethiopis Tafara of SEC Director, Office of International Affairs, given before the House Financial Services Committee on May 13, 2004, “the SEC has worked closely with the Italian securities regulator (the Commissione Nazionale per le Società e la Borsa, or ‘CONSOB’) and certain Italian prosecutors’ offices in an investigation into matters surrounding the collapse of Parmalat S.p.A.”

(j) the reports of the Ufficio Italiano Cambi, the arm of Banca d'Italia with oversight over financial transactions;

(k) the review and analysis of reports prepared by PricewaterhouseCoopers LLP ("PwC") in connection with PwC's engagement by Bondi to review Parmalat's accounts;

(l) the review and analysis of expert reports prepared by Dr. Stefania Chiaruttini ("Chiaruttini"), consultant to Milan prosecutors, that are based upon, *inter alia*, her review of transcripts of interrogations² of numerous individuals by investigators and prosecutors in Italy, documents produced by or seized from Parmalat and its numerous affiliates and subsidiaries, and documents and information seized from the offices of Grant Thornton S.p.A., Deloitte & Touche S.p.A. and others;

(m) the report by Bondi, dated June 19, 2004 and titled "On the Causes for the Insolvency of Parmalat Finanziaria S.p.A. and its Holdings," filed with the prosecutors in Milan on June 21, 2004 (the "Bondi Report");

(n) the review and analysis of securities analysts' reports concerning Parmalat;

(o) the review and analysis of press releases, news articles and other publications disseminated by or concerning Parmalat and the defendants named herein; and

(p) other publicly available information about Parmalat and each of the defendants named herein.

2. Plaintiffs obtained, reviewed and analyzed copies of the critical documents, transcripts and reports which support Plaintiffs' claims as described herein. In addition to these documents and the other sources of information listed above, additional facts concerning the defendants' massive fraud continue to be revealed as investigations conducted by U.S. and Italian criminal authorities progress. However, as noted in the Bondi Report, in presenting an analysis of the fraud which caused Parmalat's sensational demise, "it is necessary to keep in mind that numerous documents disappeared or were destroyed." Indeed, several individual

² The interrogations were conducted in Italian and Plaintiffs have translated the transcripts from Italian to English. Also, certain other documents quoted herein, including Chiaruttini's reports, have likewise been translated from Italian to English. Quotations to those transcripts and reports herein refer to their English translations.

defendants have already confessed to destroying evidence of the fraud, even taking a hammer to a laptop containing incriminating information.

II. INTRODUCTION

A. Overview of the Fraud

3. Plaintiffs bring this action on their own behalf and as the representatives of all other persons and entities that purchased or otherwise acquired securities of Parmalat in reliance on the Company's materially false and misleading financial statements and other public statements during the Class Period.

4. This is a federal securities class action alleging violations of the Securities Exchange Act of 1934 (the "Exchange Act"). It involves the stunning collapse of international dairy conglomerate Parmalat and the loss of billions of dollars by investors in the United States and elsewhere as a result of what the SEC has aptly described as "*one of the largest and most brazen corporate financial frauds in history.*"³ As widely reported in the news and financial media, and as described in detail herein, the outrageous scheme orchestrated by the defendants named below culminated in Parmalat's sudden financial collapse when it was revealed that substantial operating losses by the Company had been concealed for over a decade and that Parmalat's consolidated ***total debt***, as reported in the Company's audited financial statements, was ***understated by nearly \$10 billion*** and its consolidated ***total net assets*** (or shareholder equity), had been ***overstated by \$16.4 billion***.

5. Although Parmalat itself was based in Italy, this was hardly an Italian or even a European fraud. Indeed, much of the core infrastructure of the scheme was built in the United States by American-based bankers, auditors and lawyers. In a very real way, the U.S. acted as

³ Emphasis added throughout unless noted otherwise.

the nerve center for the Parmalat fraud that ultimately resulted in the falsification of the Company's financial statements during the Class Period.

6. The origin of the scheme began with Parmalat itself. An international food and dairy company founded in 1961 by defendant Calisto Tanzi and controlled by the Tanzi family, Parmalat sought throughout the 1990s to grow its business globally through an aggressive acquisition program. Dozens of food service businesses were bought in Europe, the United States, and South America so that by 1999 the Company was generating fully 76% of its sales outside Italy. Much of this expansion was increasingly focused on the huge United States market. By 2001 Parmalat was describing itself as "a U.S. \$7 billion company" with its important dairy "sector ... concentrated on the East Coast and . . . especially strong in New York's metropolitan area, where it holds 50% of the market." By 2003, Parmalat's U.S. operations had over 3,100 employees and generated \$5 billion in annual sales, with facilities in Alabama, Georgia, Michigan, New Jersey, New York and Ohio.

7. Parmalat's acquisition spree was expensive. Tanzi also knew he needed cash to salvage the various failing businesses owned by the Tanzi family. To feed these dual objectives of finding acquisition capital and bailout money for the Tanzi family, Parmalat was forced to go to the capital markets again and again for continuous infusions of cash from bond and stock offerings. Moreover, to attract global investors, Parmalat knew it would have to show that it was a good risk – that its businesses were sound and its long term health secure. The problem was that many of the Company's operations were in significant financial trouble, especially its South American businesses. Parmalat knew that investors would show little interest if they understood the Company's true financial picture. So, the defendants put honesty and accuracy aside and concocted a scheme to deceive investors by grossly falsifying Parmalat's financial statements

and portraying the Company as strong and profitable when it was anything but strong and profitable.

8. With false financial statements in hand, Parmalat repeatedly went to the capital markets to service its needs. Consistent with its global acquisition efforts, Parmalat raised capital on both sides of the Atlantic, including billions of dollars of stocks and bonds sold to American investors. Parmalat securities are traded in countries and markets around the world, including on the Luxembourg Stock Exchange, the Milan Stock Exchange, the Mercato Telematico Azionario, the Uruguayan stock exchange and in the United States.

9. As a cash-raising venture, Parmalat's securities sales were a resounding success – at least \$7 billion in new debt capital alone was raised through various offerings from 1998 through late 2003. The trouble was, Parmalat's global operations had significantly underperformed and suffered substantial losses during this period. With insufficient cash from operations, the only way it could pay off older bonds when they came due was to issue new bonds and use the proceeds to pay off the older bonds – thus, Parmalat's scheme was born.

10. To keep investors interested in the new securities sales, the Company had to find ways to artificially boost the consolidated revenues and earnings of Parmalat and its subsidiaries while somehow hiding its massive, and still accumulating, level of debt. To this end, and with the direct participation of its auditors, bankers and lawyers, among others, Parmalat and its top management concocted a series of transactions whose aim was to show the investing public that the Company had profits and assets that, in fact, did not exist. This web of deceit involved the creation of bogus bank accounts, the use of forged financial records, and the manipulation of Parmalat's balance sheet and income statement through fictitious investment assets and sham transactions.

B. The Fraud in Action

1. The Creation of Offshore Shell Companies

11. One of the central components of the fraud was using offshore, Enron-like Special Purpose Entities (“SPE”s) to artificially generate revenues and inflate the assets recorded on Parmalat’s consolidated balance sheet. Parmalat’s former CFO Fausto Tonna has admitted that this enabled the Company to artificially maintain the stock’s listed value and ensure access to the capital markets through continued bond sales.

12. To secure capital, Parmalat knew it needed to camouflage the Company’s mounting losses and somehow hide or remove the growing debt on its consolidated financial statements. With this in mind, key Parmalat insiders (including Tanzi, its CEO, and Tonna, its CFO) – along with two partners from Parmalat’s auditor *Grant Thornton* – created three offshore shell companies to act as repositories for these illicit transactions. The process would begin with Parmalat issuing false invoices to these three consolidated shells, even though there was no real sale of products because the shells had no commercial activities or purpose. The shells would “pay” for the products via a loan from Parmalat (which it had obtained by assigning the invoices to various banks, including *Citibank and Bank of America*). Parmalat would then assign the shell companies’ liability to pay the invoice to an off-balance sheet entity (removing it from its own books) and treat the loan to the shells as an asset – an investment in a consolidated subsidiary. Through this scheme, Parmalat was able to record substantial false sales from these shell subsidiaries, obtain huge amounts of cash from various banks, and record millions of dollars of additional assets through its “investments” in these subsidiaries.

13. Italian accounting rules, similar to those in the United States, required Parmalat to switch auditors after a certain number of years. Thus, beginning in 1999, Grant Thornton could not be Parmalat’s independent outside auditor. This forced Tanzi, Tonna, *Zini* and Grant

Thornton, the chief architects of this facet of the scheme, to modify its operation. Knowing the existing scheme would not be acquiesced to by a new auditor, they agreed that Grant Thornton would audit Parmalat's various consolidated subsidiaries, off-shore entities and SPEs central to the fraud, while *Deloitte* would audit and certify Parmalat's consolidated financial statements. In auditing Parmalat's books, Deloitte would rely on the audits and certifications of Grant Thornton relating to the various Parmalat subsidiaries involved in the fraud.

2. The Creation of Bonlat and Epicurum

14. The previously-used shell companies were phased out in favor of one central offshore entity – *Bonlat* – which became one of the key vehicles to execute in the Parmalat fraud. Bonlat was formed to hide accounting entries that could not be justified, and to hide losses that, if reported, would have prevented the Company from obtaining funds in the capital markets through bond offerings. Grant Thornton's role in Bonlat's creation was critical. Tonna admitted that “Bonlat . . . had its origins in colloquies with the auditors of Grant Thornton” who “asked us to give them authority to audit Bonlat . . . so they could continue to certify the balance sheets notwithstanding their knowledge of the falsifications in them.” Zini and the two law firms that he ran were also directly involved in Bonlat's creation and the on-going efforts to hide Parmalat's losses.

15. One of the many notorious scams funneled through Bonlat was a purported “sale” of hundreds of millions of dollars worth of powdered milk to a company in Cuba, although those sales never actually occurred. In 1999, Parmalat used a Singapore-based shell company called *Camfield Pte. Ltd.* (“Camfield”), which just happened to occupy Grant Thornton's Singapore offices and shared Grant Thornton employees, to “sell” 300,000 tons of milk worth \$620 million to Bonlat which then “sold” the milk to a Cuban state-owned importer. A Parmalat insider later confirmed to Italian prosecutors that the gigantic milk sale never occurred and that had it

purchased the 300,000 tons of milk claimed by Parmalat, Cuba would be “swimming in milk,” as it would have purchased almost 60 gallons of milk annually for every person in Cuba.

16. By the end of 2002, Bonlat’s fictitious assets had swollen to massive proportions – approximately \$7 billion, from \$2 billion at the end of 2001. Thus, as the SEC explained, “during 2002 alone, approximately \$5.0 billion in operating losses and worthless assets were hidden in this fraudulent structure alone and Parmalat S.p.A.’s pretax net earnings were overstated by a like amount. By September 2003, Bonlat’s unsubstantiated assets had risen even higher and totaled €8.6 billion (\$9.97 billion).”

17. Parmalat insiders have admitted that “the Bonlat bank statements were systematically falsified” and that “non-existent credits” were transferred to Bonlat and, as a result, “[a]ll of Bonlat’s assets and liabilities are non-existent” and “all of the transactions on the Bank of America account are false.” That Bank of America account purportedly contained, by the end of 2002, \$4.9 billion. In reality, the account (and the \$4.9 billion) was pure fiction.

18. By 2002, Grant Thornton pointed out that should anyone review Bonlat’s books, it would be apparent that (1) the promissory notes held by Bonlat were created through phony transactions; and (2) no interest had been paid on any of the notes held by Bonlat. Thus, anyone who looked at Bonlat carefully would realize that Bonlat’s assets were fictitious. Accordingly, Grant Thornton suggested that the fictitious promissory notes be transformed into a new equity investment. Zini created this new investment vehicle – *Epicurum Limited* – nominally an investment fund but actually a shell entity without any activities or operations. Operated out of Zini & Associates’ New York office, Epicurum was designed to act as an additional account in which to continue to hide fictitious credits generated by purported sales of Parmalat’s products. By the end of 2002, Epicurum had “grown” into a \$625 million “investment fund” with

“transfers” of monies from several shell companies run by Zini out of New York. The result was that Bonlat reflected a nonexistent “asset” of \$625 million which was incorporated into Parmalat’s consolidated balance sheets.

19. For its part, Grant Thornton knew Epicurum was a sham – its own accountant was involved in discussions about the need to find a Bonlat alternative. It also accepted oral assurances from Zini, Tonna and Tanzi – never attempting to verify on its own – that the \$625 million “investment” in Epicurum was made on an arm’s-length basis. Indeed, Grant Thornton reportedly “agreed” that Epicurum was a legitimate independent investment fund because, when the names of the directors of Epicurum were read to Grant Thornton, they “did not sound Italian.”

3. The Double Billing Scheme

20. In order to conceal its weakening financial condition, Parmalat used a variety of other transactions to book phony receivables, disguise debt as equity and secure new financing. One example was a double billing scheme by which Parmalat would issue duplicate invoices to its distributors and franchisees and record “sales” on both. Parmalat then used these duplicate invoices as backing to obtain liquidity (in the form of credit) from banks. *Citigroup*, through Citibank, stepped in as a direct participant by structuring a securitization program for these double-billed receivables, which allowed Parmalat to materially overstate its assets. It did so through its subsidiary *Eureka Securitization Plc* and two of its wholly-owned subsidiaries, including one incorporated in Delaware which issued securities in the United States. Citigroup not only structured the securitization scheme and controlled parties who were direct participants, it also actively managed the scheme and had ongoing knowledge of the nature of the double billing. Indeed, Citigroup, acting through its affiliates, including Citibank, installed its own proprietary software on Parmalat’s computer network, allowing it to determine which receivables

were eligible for the securitization program and to regularly audit Parmalat's sales. Citigroup then expanded the securitization program, which then included receivables from operations in the United States and Canada.

4. Recycling Old Invoices in Factoring Arrangements

21. Parmalat also used old or stale invoices which had been paid long ago to raise additional funds. This involved quite literally recycling old invoices for non-existent receivables in factoring arrangements. These invoices would be assigned to *Banca Nazionale del Lavoro S.p.A.* ("BNL") one of the hundred largest banks in the world through its *Ifitalia S.p.A.* ("Ifitalia") subsidiary, in exchange for cash. Since the receivables were non-existent, BNL was not paid by third parties as one would normally expect in factoring transactions. Instead, the entire amount due directly to BNL was paid at the expiration date by NYTE, a Delaware corporation, with funds provided by (and wired from) Parmalat. Because of its close ties and common directors with Parmalat, BNL knew the receivables did not in fact exist and that Parmalat was using "stale" invoices again and again to obtain financing. Moreover, when payment on a set of invoices became due, BNL was provided with a new list of stale invoices to receive additional cash, which was exactly the same as the prior lists provided to BNL, except that at BNL's request and instruction, Parmalat changed a single digit on each invoice's number in order to ensure that BNL's software would not flag any of the duplicate invoices.

5. Hiding Debt

22. As a component to Parmalat's scheme to mask its growing debts to third parties, the Company began improperly reclassifying these debts as intra-company debt – obligations owed by one Parmalat entity to another – so that in the consolidation process these reclassified debts effectively vanished from the Company's consolidated financial statements. So pervasive

was this process that near the end of the Class Period, Parmalat had falsely underreported its debt by at least \$4.49 billion.

23. Parmalat used what is recorded as “Account 999” – a veritable “trash bin” for the fake revenues, assets and profits that Parmalat had accumulated over the years – to effectuate and track these debt reclassifications. Account 999 was no secret at Parmalat or among its outside professionals. Parmalat accounting staff members explained Account 999 in detail to the Deloitte & Touche auditors, who also verified all the Bonlat papers because they had requested them from Grant Thornton. As defendant Gianfranco Bocchi testified on February 6, 2004: “I know that the auditors [GT and D&T] met several times. We explained to them that the inter-company debts were based upon the participation agreements. They never requested the details of the debts to banks.” Account 999 was so active that by the end of 2002 it showed a debit of over € billion.

24. In addition to reclassifying its debt to third parties as intra-company debt, Parmalat also improperly recorded large portions of its debt as equity – with the direct participation of Citigroup, Bank of America and CSFB. Citigroup’s role was pervasive. One of its most significant contributions to the scheme was through the SPE **Buconero**, an Italian word whose English translation is, aptly, “black hole.” Buconero was a Delaware limited liability company created in 1999 by Citigroup and Zini, and owned and controlled by Citigroup. Its specific purpose, along with **Vialattea LLC**, another Citigroup subsidiary, was to enable Parmalat to hide debt by improperly treating incoming loans as equity investments. In this scheme, Buconero and Vialattea ventured with the Parmalat subsidiary Gestione Centrale Latte S.r.l. (“Geslat”). Parmalat would make contributions to Geslat and then transfer its interest to Buconero for the same amount. Geslat would then lend that money to other companies within

the Parmalat Group, which Parmalat would record as equity. In reality, of course, these “investments” by Buconero (made on behalf of Citibank) were a Citibank loan to Parmalat. Citigroup profited handsomely from the deal, reaping millions for its role in structuring transactions with Buconero.

25. In the late 1990s, Parmalat acquired three Canadian companies with money *borrowed* from Citibank. Instead of calling it a loan, however, Citibank structured the payment to appear as an equity investment – thus, Citigroup “purchased” a 24.9% stake in Parmalat Canada. In reality, Parmalat and Citigroup had executed a “put agreement” obligating Parmalat to repurchase the “equity” owned by Citigroup at a purchase price equal to the “investment” by Citigroup plus a spread if certain events occurred. Thus, the “investments” by Citigroup were really high interest loans. With Grant Thornton, Parmalat recorded each of these “investments” by Citigroup as equity on its consolidated financial statements, which enabled it to overstate its assets and understate its debt.

26. In another example, *Bank of America* proposed a financial arrangement in 1999 that would enable Parmalat to improperly increase the purported value of Parmalat Administracao, a Brazilian affiliate. Bank of America purportedly arranged the sale of an 18.18% interest in the Brazilian entity to “outside” North American investors for \$300 million with Parmalat retaining the remaining 81.82%. Bank of America also co-wrote with Parmalat a press release which announced the transaction and misrepresented its terms. In fact, Bank of America told Parmalat’s CFO how to describe the transaction without revealing that Parmalat would have to repurchase the 18.18% stake at a premium in the event the Brazilian entity did not obtain a public listing and without revealing that such public listing would never occur. This description concealed the fact that instead of being an equity transaction, the deal involved a

\$300 million private debt placement partly secured by the Brazilian stake. It also caused the market to overvalue the Brazilian subsidiary by hundreds of millions of dollars.

27. In order to continue to hide its growing debt, Parmalat began issuing bonds that were never even reported on its consolidated financial statements. *CSFB* directly participated in this scheme by preparing a prospectus for the issuance of bonds in the amount of €500 million by Parmalat Brasile, to be underwritten entirely by CSFB. Importantly, CSFB structured the transaction so that it would appear to offer liquidity to Parmalat Brasile for the payment of its debts, notwithstanding that the debt was never reflected on Parmalat's consolidated financial statements. For its part in the scheme, CSFB received millions of dollars in commissions and fees.

C. The "Professionals"

1. The Law Firms

28. Defendant Zini and his New York law firms, BBLP Pavia e Ansaldo (from 1998 to 2001) ("Pavia") and Zini & Associates (from 2001-2004) (collectively, the "Law Firm Defendants") constituted the nerve center for many of Parmalat's financial schemes. As Tanzi's counsel and "right hand man," Zini was dispatched by Tanzi to New York to devise, orchestrate and execute extensive fraudulent activities for the benefit of Parmalat and Tanzi, for which Zini and his law firms received enormous compensation.

29. Described by Tonna as one of the "masterminds" of the Parmalat fraud, Zini exploited his close proximity to the financial markets to structure and fund various offshore entities such as Epicurum, Camfield, Buconero and Bonlat. Through these and numerous other entities, Zini and the Law Firm Defendants devised fraudulent transactions, accompanied by false documentation and improper accounting, to divert funds to Parmalat, Tanzi personally, and other Tanzi-controlled entities.

30. When the truth about the phony transactions that Zini had conceived or participated in was finally revealed, Zini ordered the destruction of evidence at his New York law firm's offices, including computer files related to Bonlat and Epicurum. Zini himself was arrested on or about December 31, 2003 for his role in the Parmalat fraud. As described in detail below, the Parmalat schemes could not have occurred without Zini's direction and direct participation.

2. The Banks

31. Citigroup, Bank of America, CSFB and BNL (and their affiliates) played an indispensable role in the Parmalat fraud, ensuring that the Company was ultimately able to hide debt and boost its revenues and assets. Several of these banks also ensured the continuation of Parmalat's scheme through their involvement in the issuance of at least \$7 billion of debt securities that provided a continuous infusion of cash in order to fund Parmalat's massive buying spree in the U.S. and elsewhere.

32. Citigroup's role in the Parmalat fraud was pervasive, from creating Buconero to helping Parmalat hide debt to structuring loans to Parmalat as "investments" so Parmalat could report them as equity. Citigroup also underwrote or served as a dealer in offerings for billions of dollars worth of Parmalat debt securities based on completely false financial information, knowing that Parmalat desperately needed the capital to keep its scheme ongoing and undetected. Citigroup also maintained Parmalat accounts in New York and elsewhere, through which it facilitated the illicit transfer of Parmalat funds to accounts owned and controlled by Tanzi family members and/or Zini & Associates. Finally, Citigroup also participated with Parmalat to conceal Parmalat's deteriorating financial condition by using the Company's double billing scheme to structure and manage a securitization program for these double billed receivables.

33. Citibank had an intimate knowledge of the Company's finances not only through its direct participation in the fraudulent activities, but also because of its close relationship with Parmalat. The Company's CFO has recently admitted that Citibank "knew, as insiders, the actual assets and the financial conditions of the [Parmalat] Group." A Parmalat insider has also acknowledged Citigroup's knowledge of the double-billing scheme, stating that "Citigroup did a due diligence that certified in detail the way [Parmalat's] billing system worked." Additionally, Chiaruttini, who was appointed by the Milan prosecutor's office in connection with its criminal investigation into the Parmalat fraud, confirmed that Citibank "was aware of the mechanism of double billing," citing a study of the securitization transactions by Banca d'Italia on behalf of prosecutors.

34. Like Citigroup, Bank of America's role in the Parmalat fraud was multi-faceted. It had extensive commercial and investment banking relationships with Parmalat; in fact, Parmalat was one of Bank of America's most lucrative relationships in Europe. Bank of America capitalized on this close relationship, and sought additional business and fees from Parmalat in a variety of ways, from lending Parmalat money, to structuring transactions that were integral to the manipulation and falsification of Parmalat's financial statements, selling over \$1 billion of Parmalat's private placements to U.S. investors based on what Bank of America knew were materially false and misleading statements about Parmalat.

35. In selling huge amounts of Parmalat's private placements, Bank of America enabled Parmalat to maintain its good credit rating while its financial condition was rapidly deteriorating. This, in turn, allowed Parmalat to continue issuing debt at lower costs. In fact, many of these private placements were improperly characterized as "debt" when, in fact, they were used as loans to finance Parmalat entities in "at risk" or emerging countries. To sell these

Parmalat securities in the U.S., Bank of America representatives arranged “road show” meetings with major U.S. institutional investors during which Bank of America representatives, together with Tanzi, Tonna and Zini, distributed false and misleading information about Parmalat that was reviewed and approved by Bank of America. Bank of America also helped disguise loans as equity in other ways, such as through the financial arrangement to increase the capital of Parmalat Administracao, the Company’s Brazilian affiliate.

36. CSFB also played an important role by helping to hide Parmalat’s growing debt. It acted as an underwriter for Parmalat securities and directly participated in a complex financial transaction with Parmalat (through Parmalat Brasile) which was designed to artificially inflate Parmalat’s assets, while appearing to provide the Company with financing through the issuance of bonds by Parmalat Brasile. Likewise, BNL was also an eager participant in the Parmalat fraud – specifically in the factoring scheme whereby Parmalat used previously-paid invoices to raise additional capital.

3. The Auditors

37. Among the most notorious participants in the Parmalat fraud were its outside auditors, Grant Thornton and Deloitte. For more than a decade the Company was able to conceal massive losses and huge accumulations of debt. Yet, Parmalat was not flying solo in constructing the way its financial health was presented to investors. Its auditors, Grant Thornton and Deloitte, did far more than turn a blind eye to the misconduct: they directly participated in it. Indeed, when forced to choose between their professional responsibilities as auditors and alienating the Parmalat insiders who controlled their fees, they repeatedly placed their own interests ahead of those of the Company’s shareholders, investors and other creditors. Even after Parmalat’s collapse, Deloitte and Grant Thornton continued to keep the truth from coming out,

going so far as to hinder the Company's efforts to obtain copies of audit workpapers that might reveal their own malfeasance.

38. Grant Thornton's participation began early on. It was one of the creators of Bonlat and its predecessors, and audited Parmalat's consolidated financial statements until 1999 and, thereafter, the financial statements of Bonlat, Epicurum and other conduits of the fraud. Deloitte then stepped in to join Grant Thornton in Parmalat's illicit venture.

39. To say that Deloitte and Grant Thornton failed to follow generally accepted accounting or auditing principles in their auditing work is a massive understatement. Indeed, Chiaruttini concluded that had Deloitte or Grant Thornton followed such principles, or at least had they even remotely followed the minimum requirements of due diligence to which they were bound, they would have been in a position to flag both the anomalies and structural weaknesses within Parmalat and the Parmalat Group.⁴

40. When Deloitte's own employees raised concerns about improprieties at Parmalat, senior auditors at Deloitte, including its U.S.-based CEO Jim Copeland, opted to participate in the fraud rather than warn investors of it. Chiaruttini concluded that "Deloitte did not pay attention ... to the observations that its field auditors made in the Early Warning Reports and Summary Audit Pleadings" that were sent to Deloitte's lead partners in the U.S. and other personnel in charge of the Parmalat audit. Instead, Deloitte ultimately removed its own regional auditors who insisted on raising problems with Parmalat's accounting.

41. Toward the end of 2002 when Grant Thornton and Deloitte were "verifying" assets in preparation of the year-end audit, they took the unprecedented step of letting Parmalat itself take over the verification process for the single largest asset on its books: \$4.9 billion

⁴ The "Parmalat Group" refers to subsidiaries, entities and affiliates whose results of operations are reported by Parmalat on a consolidated basis.

maintained by Bonlat that was supposedly held by Bank of America. With this freedom, Parmalat insiders forged the necessary documents to “authenticate” the existence of the Bonlat account (which did not, in fact, exist) and passed those along to the outside auditors. This crude forgery involved Parmalat insiders cutting out Bank of America’s logo, scanning it into a computer, printing it out and passing it through a fax machine multiple times.

42. Both Deloitte and Grant Thornton utterly failed to identify even one of the numerous financial schemes and frauds perpetrated despite the existence of a sea of red flags, including those noted above. This effectively meant that no true audit of Parmalat was ever performed. Thus, the Company’s actual financial status continued to be concealed from the investing public and the Parmalat fraud was able to be perpetuated for many years.

D. The Endgame

43. In December 2003, rumors began to swirl publicly that Parmalat would be unable to make a required payment of \$400 million to repurchase a minority interest in its Brazilian operation or extinguish \$187 million of outstanding bond debt which came due on December 8, 2003, even though Parmalat purportedly had billions of dollars of liquid assets on hand. Parmalat was able to extinguish the bond debt on the very last day of the grace period, but it was unable to meet its other commitments because it could not obtain any money from its purported \$625 million Epicurum “investment” or from the non-existent \$4.9 billion Bonlat bank account.

44. On December 19, 2003, Parmalat issued a shocking press release admitting that Bonlat did not, in fact, have \$4.9 billion in a Bank of America account as previously represented. The very next day, Italian prosecutors initiated a fraud investigation. Four days later, on December 24, 2003, Parmalat filed for bankruptcy protection with a court in Parma, Italy, and on December 27, 2003, the court declared Parmalat insolvent.

45. Calisto Tanzi, Parmalat's former Chairman, was arrested in Milan and taken to prison on December 27, 2003. On December 31, 2003, seven more executives were arrested, including Parmalat's CFO, Zini, and two partners of Grant Thornton's Italian operations (on October 5, 2004, these two Grant Thornton partners were ordered by the Milan court to stand trial on January 27, 2005 in an expedited schedule skipping any preliminary hearings). To date, over 32 Parmalat executives or outside consultants have been arrested, notwithstanding the documented last-minute frantic efforts by some to destroy financial records and other evidence to hide their complicity in the scheme. Alessandro Bassi, former aide to CFO Tonna, committed suicide on January 23, 2004.

46. At least six Parmalat insiders have confessed to their direct participation in the fraud (as have two former Bank of America bankers). Former CEO Tanzi bluntly stated: "I recognize my mistakes. I know I broke the law." According to a January 12, 2004 article in *The Wall Street Journal*, "[p]rosecutors believe Mr. Tanzi may have diverted as much as 1.5 billion euros from Parmalat to help make up for losses over the years at Parmatour," a family owned travel business that was run by his daughter Francesca.

47. On January 13, 2004, Dr. Stefania Chiaruttini was appointed by the Milan prosecutor's office to analyze various Company documents and other information and to prepare a report describing the falsification of Parmalat's financial statements and other aspects of the fraud. On February 3, 2004, the Milan prosecutors further engaged Chiaruttini to study and document her findings on the auditing activities of Deloitte and its role in the fraud. Moreover, PriceWaterhouseCoopers LLP ("PwC") was appointed by Enrico Bondi (the court-appointed Extraordinary Commissioner of Parmalat) to perform a forensic audit and evaluate the effect of the fraud on the Company's financial statements.

48. In the investigations and prosecutions conducted in Italy, Tanzi, Tonna and others have admitted, and PwC, Bondi and Chiaruttini have found, that the consolidated balance sheets of Parmalat and its Parmalat S.p.A. operating subsidiary were falsified at all relevant times during the Class Period. As revealed by certain defendants' admissions and the results of reports prepared by Chiaruttini, Bondi and PwC, Parmalat had significant operating losses in each year of the Class Period (and earlier), particularly as a result of the Parmalat Group's South American operations, but the Company always posted a profit and concealed its losses with the active participation of its auditors, bankers and attorneys named as defendants in this action, by manipulating and falsifying its financial statements every single quarter.

49. The scale and scope of the falsification is staggering. As Parmalat first acknowledged in a press release dated December 19, 2003, the assets reported in its 2002 audited financial statements were overstated by *at least \$4.9 billion*. According to the preliminary report issued by PwC on or about February 9, 2004, Parmalat's actual consolidated debt as of September 30, 2003 was at least €4.3 billion, or *more than two times* the €6.4 billion amount that Parmalat reported for that period, and total consolidated shareholders' equity should have been reported as no more than negative €11.4 billion, not the positive €2.1 billion figure that Parmalat reported for that period.

50. As Bondi concluded in his June 2004 report, the responsibility for Parmalat's demise rests on Parmalat's top executives and trusted consultants, including Parmalat's United States counsel – Zini (and his two law firms: Pavia and Zini & Associates); the Company's auditors – Deloitte and Grant Thornton; and various banks – Citigroup, Bank of America, CSFB and BNL, among others. Indeed, the various confessions and the reports prepared by Chiaruttini, Bondi and PwC, as well as the ongoing investigations conducted by U.S. and Italian criminal and

regulatory authorities, have clearly implicated these entities. Through their participation in the fraudulent transactions, the various Parmalat defendants enriched themselves at the expense of investors who ultimately lost almost the entire value of their investment in Parmalat.

III. JURISDICTION AND VENUE

51. Venue is proper in this District pursuant to Section 27 of the Exchange Act, 15 U.S.C. §78aa and 28 U.S.C. §§1391(b), (c) and (d), because offers and sales of Parmalat securities at issue in this action occurred in this District. In addition, many of the acts and practices made in furtherance of defendants' scheme and complained of herein occurred in substantial part and/or had an effect in this District, including the creation and implementation of the manipulative devices and contrivances and the sale of Parmalat securities. Further, defendants Zini, Pavia, Zini & Associates, Grant Thornton, Deloitte, Citigroup, Bank of America, CSFB and Buconero are, and defendant Pavia was, located in, conduct (or conducted) substantial business in, and/or have (or had) substantial contacts with this District.

52. This Court has jurisdiction over the subject matter of this action pursuant to Section 27 of the Exchange Act, 15 U.S.C. §78aa, and 28 U.S.C. §§1331 and 1337. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§78j(b) and 78t(a), and the rules and regulations promulgated thereunder, including Rule 10b-5, 17 C.F.R. §240.10b-5.

53. In connection with the acts alleged in this Complaint, defendants, directly and indirectly, used the means and instrumentalities of interstate commerce including, but not limited to, the United States mail and interstate telephone communications.

54. Pursuant to the judicially prescribed "effects test" for asserting extraterritorial jurisdiction, this Court may properly exercise subject matter jurisdiction over the claims for Parmalat securities traded on both U.S. markets and/or purchased in the U.S. and in European

markets. This Court has subject matter jurisdiction over domestic and foreign members of the class because the defendants' fraudulent conduct had an impact upon the United States' markets and upon United States investors. The interests of all investors were adversely affected by the defendants' misconduct. Defendants' fraudulent conduct, including that which was performed in the United States, artificially inflated the price of the Company's securities during the Class Period and affected the integrity of the prices paid for Parmalat securities in the United States and on other markets and in other countries around the world.

55. This Court may also properly exercise subject matter jurisdiction under the "conduct test," articulated by the Second Circuit (and other courts), which provides that a federal court has subject matter jurisdiction if (1) the defendant's activities in the United States were more than "merely preparatory" to a securities fraud conducted elsewhere, and (2) these activities or culpable failures to act within the United States "directly caused" the claimed losses. The facts alleged herein show that substantial activity in furtherance of the defendants' fraud occurred within the United States and damaged members of the Class worldwide. As described herein, the "nerve center" of the fraud was the law offices of Pavia and Zini & Associates in New York, a site chosen by Tanzi as a base from which to orchestrate the legal and financial aspects of the fraud.

56. Defendants' fraud-related conduct in the U.S. was part of a single fraudulent scheme spanning the U.S. and other countries around the world. The domestic conduct was instrumental in causing the losses of Plaintiffs and the other members of the Class.

57. There was but a single worldwide market for Parmalat securities. Parmalat securities were priced based on trades reported from various exchanges throughout the world.

That worldwide market was defrauded by defendants' conduct, causing extensive effects on domestic purchasers of Parmalat securities, as well as on securities markets abroad.

58. In the United States, Parmalat sold artificially inflated securities by means of false and misleading statements in financial reports, offering memoranda, and press releases. Parmalat actively marketed and sold these securities in the United States despite its false reporting of its financial condition as alleged herein.

59. Parmalat's ordinary shares were traded in the United States in the over-the-counter market throughout the Class Period. Additionally, the Company's ADRs (each of which represented a proportional interest in twenty shares of Parmalat common shares) were issued and were traded in the United States since 1996. Parmalat's records of shareholders entitled to vote at annual meetings held during the Class Period reflect that numerous United States institutional investors bought Parmalat ordinary shares including among others: Bankers Trust Company New York, Walden/BBT Funds, Fifth Third Citizens Funds, UMB Trust/UMB Bank, Union Bank of California N.A., STI Classic Funds, Vontobel International Equity Fund, Connecticut General Life Insurance Company, Chancellor LGT Asset Management, Inc., the Cosmopolitan Fund, the Cosmopolitan Investment Fund, the Commonwealth of Pennsylvania Public School Employees Retirement Fund, Massachusetts Health Care Security Trust, Sempra Energy, Dreyfus International Stock Index Fund, Dreyfus Founders Worldwide Growth Fund, Dreyfus Founders International Equity Fund, Houston Firefighters' Relief and Retirement Fund, PanAgora Group Trust, Pension Reserves Investment Board, Public Employee Retirement System of Idaho, Sierra Pacific Resources Defined Benefit Master Trust, the William and Flora Hewlett Foundation, Barclay Global Investors, Dupont Pension Trust, Brown & Williamson Tobacco Master Retirement Trust, The Prudential Insurance Company of America, Bellsouth

Corporation Master Pension Trust, California State Teachers Retirement System, California Public Employees' Retirement System, National Rural Electric Co-op Association, Frank Russell Investment Company International Fund, Mercator International Fund, State of Minnesota State Employees Retirement Plan, College Retirement Equities Fund, TIAA-CREF International Equity Fund, the Common Trust Fund, State of Connecticut Retirement Fund, Strong Overseas Fund, and Utah State Retirement Systems Benefits Plan.

60. Parmalat also sold nearly \$1.5 billion in notes and bonds to United States investors, with defendant Bank of America having placed over \$1 billion in Parmalat debt in the United States. More than 50% of the Company's outstanding bonds were sold to American investors, including such large and well known U.S. financial institutions as American International Group, Inc., Allstate Life Insurance Corporation, Bear Stearns & Co., Inc., Metropolitan Life Insurance Company and New York Life Insurance Company, among others. All of these institutional bond purchasers have a significant presence in this District. Bank of America's United States offices were directly involved in marketing and selling Parmalat's debt securities to U.S. investors. Bank of America employees from the United States helped prepare offering materials, and at least one of the bank's United States-based managers from its Private Placements Group traveled to Italy to work with senior managers of Parmalat on the preparation of the offering memoranda and prospectuses. Bank of America executives and Parmalat executives traveled together in the United States to market Parmalat debt securities to U.S. investors. Luca Sala, who was Bank of America's former client relationship manager for the Parmalat account and thereafter a "senior advisor" to Parmalat, also attended road shows in the United States. In addition, in or about October 2002 and July 2003, representatives of Parmalat, including Tonna, met with prospective investors in the United States to discuss on-going

offerings and answer questions about Parmalat's financial performance and offerings, where they misrepresented the true financial condition of Parmalat and the Parmalat Group. For the October 2002 road shows, Tonna met with potential investors in Massachusetts, Connecticut, New York, Indiana, and Illinois, often in one-on-one meetings that lasted for approximately two hours. Kenneth Lewis, Bank of America's Chief Executive Officer, traveled to Italy in early June 2003 to meet with senior Parmalat executives to solicit even more business for the bank from Parmalat.

61. The offering material for the bonds sold in the United States included audited consolidated financial statements of Parmalat S.p.A., which represented approximately 70% of the reported sales of the consolidated entity, and whose financial information reflected the majority of the fraudulent conduct. The offering materials incorporated by reference financial information from Parmalat S.p.A.'s parent, Parmalat. The financial statements used in connection with these offerings were audited by Deloitte and Grant Thornton who knew that the financial statements would be part of these offerings and that they were materially false.

62. Throughout the Class Period, Parmalat regularly filed false and misleading reports with CONSOB (the Italian equivalent of the SEC), including quarterly, six-month and annual reports which were relied upon by investors in the United States in making investment decisions concerning Parmalat securities. Parmalat posted copies of all of these filings in English on Parmalat's web site to ensure that United States investors would be able to review those documents. Also during the Class Period, false and misleading statements made outside the United States were disseminated, in English, into the United States and internationally through the means and instrumentalities of international and interstate commerce including, but not limited to, the mails, interstate telephone (and related internet) communications, and other

electronic media. Further, Ferraris, one of Parmalat's former Chief Financial Officers, organized meetings, including one in New York, with the financial community to review the reported results.

63. Defendants also engaged in extensive activities in the United States to further their fraud. As described below, among other things: (i) Parmalat formed United States entities and subsidiaries to illicitly transfer money and to raise additional capital through debt offerings; (ii) the Law Firm Defendants from their New York offices created numerous, key shell companies and false transaction documents and funneled illicitly gained money through various bank and trust accounts maintained at New York banks; (iii) several of the Individual Defendants, including Tanzi and G. Tanzi, opened bank accounts in New York into which Parmalat funds were improperly diverted; and (iv) United States based auditors and banks had direct roles in the fraudulent scheme.

64. The SEC has already stopped the transfer of \$1 million from Tanzi's New York bank account to a Citibank (Milan) account and the transfer of \$50,000 into G. Tanzi's New York Citibank account, and is investigating a further transfer of \$2.3 million from Sata S.r.l. (a Tanzi company) to the New York Citibank account of PGB (Nassau), another suspected Tanzi family entity.

65. Parmalat's fraudulent scheme as alleged herein was centralized in large part in this District, where defendants Zini, Pavia and Zini & Associates orchestrated the fraud. Tonna, Parmalat's CFO for many years, told criminal investigators in Italy that Zini was "at the center of Parmalat's financial scheme" and was one of its "masterminds."

66. Tanzi ensured that the fraudulent schemes and improper accounting that he and other defendants orchestrated from outside of the United States would have an effect in the

United States. Tanzi sent Zini, who had been Parmalat's lawyer at Pavia, a Milan, based law firm, to the United States in 1997 to open a law office in New York City to control and implement the scheme out of New York. At that time, Zini, a partner in Pavia, established Pavia's New York office. This location was selected because New York is the world's financial center (which would provide great credibility to Parmalat's money-raising plans) and because the location's proximity to the headquarters of Citigroup and important offices of Bank of America, CSFB and other financial institutions enabled Zini to meet with officials of those banks in person and on short notice. By February 2001, Zini established Zini & Associates, and all 20 Pavia lawyers and all of its staff became employees or partners of Zini & Associates.

67. The major, if not only, clients of any significance of Pavia's New York office and of Zini & Associates were Parmalat and the entities that Zini and other defendants created to implement and facilitate Parmalat's fraudulent scheme. In the words of several former employees, the New York offices of the Law Firm Defendants served as a "legal factory to produce documents and manage offshore transactions for Parmalat."

68. Tanzi approved each and every bond sale in the United States knowing that they were offered based on materially false information, and he was in constant communication with Zini throughout the Class Period about Parmalat's fraudulent transactions and its securities offerings in the United States and abroad. Zini and other attorneys in the New York offices of the Law Firm Defendants, acting as agents of those law firms, drafted, negotiated and reviewed many of the legal documents that were necessary to effectuate the fraudulent transactions described below. In fact, Giorgia Bocchi, an assistant to Tonna involved in preparing offering materials, explained to Italian prosecutors that each time a financial transaction took place, she had to get approval of the documents from the Zini law firm. Ms. Bocchi also testified that

lawyers from Zini & Associates also made revisions to, and signed, the documents for various private placements sold to United States investors.

69. Further, offering memoranda often included Pavia or Zini & Associates as one of the entities to whom communications associated with the offerings should be sent. For example, a Deed of Guarantee incorporated into each of two prospectuses issued by Parmalat Soparfi S.A. on or about May 22, 2002 and December 11, 2002, directed that a copy of “all notices, requests, demands and other communications” relating to those offerings be addressed to the New York offices of Zini & Associates. Each Deed of Guarantee further stated that any notice to the Guarantor which is not sent also to “Zini & Associates in the manner and to the address or telefax number set out above, shall be deemed not to have been validly sent to such party.” Similarly, the Deed of Guarantee incorporated into a prospectus issued by Parmalat Netherlands B.V. on or about February 27, 2001 directed that a copy of “all notices, requests, demands and other communications” be sent to, among others, Zini & Associates at its New York offices. The Deed of Guarantee further stated: “For the purposes of this Deed of Guarantee, any notice to the Guarantor or Parmalat Finanziaria which is not sent also to Zini & Associates in the manner and to the address or telefax number set out above, shall be deemed not to have been validly sent to such party.” Numerous offering documents identified Pavia as the “legal advisor” to Parmalat, Parmalat S.p.A. or other Parmalat entities.

70. In addition, Zini and the other attorneys at the Law Firm Defendants from their New York offices directly participated in the creation and operation of the Cayman Islands investment fund Epicurum, a fictitious entity that fraudulently was reported to hold over €500 million invested by Parmalat through Bonlat. According to Tonna and a report from the Financial Reporting Unit Cayfin (a Cayman Islands Reporting Authority for the Attorney

General of the Cayman Islands) dated January 9, 2004, setting forth information on the incorporation and directors of entities established in the Cayman Islands, a Delaware corporation “managed” Epicurum. The management entity was run by four individuals, two of whom were from the United States.

71. The Law Firm Defendants also established a Delaware entity, Web Holdings, Inc., which had offices in Dover, Delaware and a Delaware telephone number, as well as the same telephone number as that of Zini & Associates in New York.

72. Bonlat supposedly transferred to Web Holdings, Inc. liabilities that, in actuality, did not exist. Purportedly in return, Web Holdings issued millions of dollars in promissory notes to Bonlat, helping to increase Bonlat’s alleged assets that were consolidated with Parmalat’s reported financial results during the Class Period. In addition, as Zini and Tonna both explained during their interrogations, Web Holdings had also been used to channel funds from Parmalat entities to Tanzi family-owned tourism entities. For example, in 1999, Parmalat Finance Corporation paid €150 million to HIT, one of the Tanzi family controlled travel companies, and then masked the disbursement as a credit owed by Web Holdings. Thereafter, the purported credit owed by Web Holdings was transferred to Bonlat.

73. Further, when Epicurum was incorporated it was “given” a \$100 million receivable from Boston Holdings Inc., another fake company incorporated in Delaware and run by the Law Firm Defendants in New York. According to a Writ of Attachment filed in the Court of Parma on June 21, 2004, Boston Holdings appears to be related to Steven White, Zini’s brother in law. Both Web Holdings and Boston Holdings issued millions of euros in fake promissory notes in furtherance of the fraud.

74. The Law Firm Defendants also helped form Findairy Corporation (“Findairy”), a Delaware corporation that had the same telephone number as the New York offices of the Law Firm Defendants. Findairy is part of the Boston Holding Inc. group, which attorneys at the Law Firm Defendants established to buy from Bonlat millions of dollars of trademarks and other intellectual property. In reality, those transactions never took place. Moreover, as Ghiringhelli of PwC stated to Italian prosecutors, Zini was part of the management at Findairy.

75. The Law Firm Defendants also set up Newlat S.r.l., an Italian corporation, to which certain trademarks that Parmalat S.p.A. had acquired from another company in 1999 were transferred (to comply with restrictions by the Italian antitrust authority on trademark transfers). The Law Firm Defendants, on behalf of Parmalat S.p.A., arranged for another entity, Nulait Ltd., to acquire Newlat S.r.l. for \$56 million, in a deal in which Nulait issued two promissory notes to Parmalat S.p.A. Nulait Ltd. was owned by Louis Caiola, a United States citizen. On December 18, 2001, the promissory notes were replaced by a new “promissory note” for \$59 million issued by Findairy Corporation and signed by Zini. The payment was never received by Parmalat S.p.A. However, the credit was assigned to Bonlat. On January 11, 2002, ECM Euro Italia Acquisition Corporation, a Connecticut entity wholly-owned by the venture capital company Endeavor Capital Management LLC (a United States entity owned by Anthony F. Buffa, a United States citizen), acquired 100% of the Nulait equity (and therefore Newlat). Then, on June 11, 2003, Boston Holdings acquired the entire equity participation in Newlat from ECM Euro Italia Acquisition Corporation. Thereafter, Newlat became a wholly owned subsidiary of the Latitalia Group S.r.l., to which Steven White, Zini’s brother-in-law, is connected. Specifically, on September 15, 2003, Boston Holdings sold its equity participation in Newlat to Boston Dairies International Holding Corporation which in turn transferred the participation to Latitalia

Group S.r.l. In a similar transaction, Parmalat S.p.A. sold an equity position held in Carnini S.p.A. to Bonlat. Bonlat in turn transferred the equity to Boston Holdings. Boston Holdings never actually acquired Newlat or Carnini. Rather, Boston Holdings merely executed promissory notes.

76. Zini, acting on behalf of the Law Firm Defendants, also established for Parmalat another entity used in the fraud — Nyte Investments Group Inc., a Delaware corporation and one of the holding companies (along with Agis S.r.l.) that controlled Parmalat’s chain of at least thirty three distributors that were part of the double billing/securitization fraudulent scheme described below.

77. In addition, the Law Firm Defendants set up other non-operating finance entities in Delaware and New York, among other U.S. locations, and caused certain Maltese corporations to be formed, to facilitate the improper transfer of funds to off-shore entities to hide Parmalat’s debt, to inflate its assets and to benefit the Tanzi family at the expense of Parmalat’s investors.

Such entities include:

- Western Alps, Inc., a now inactive Delaware corporation incorporated in 2000 which, together with Zini, was a director of Western Alps Foundation, a Maltese company. In early 2001, Italian anti-competition authorities ruled that Parmalat’s acquisition of shares of Carnini S.p.A. (a competitor) violated Italian laws and ordered Parmalat to divest itself of a percentage of those shareholdings. During the period June through July 2001, Parmalat Capital Finance provided funds to Western Alps Foundation which were then paid to Boston Holdings which used the funds to acquire Carnini shares. Zini acted as U.S. counsel on the transaction and improperly orchestrated the purchase by Boston Holdings in violation of Italian anti-competition rules as Boston Holdings was actually “warehousing” the Carnini shareholdings for Parmalat;
- Bonlat Financing LLC, a Delaware limited liability company which was first formed as Parmalat Cap-Fin, LLC and later changed to Bonlat LLC. Giovanni Bonici, Tonna, Claudio Pessina and Thomas M. Brattvet of the United States are affiliated with it;

- Cottonwood Management Services, Inc, a New York company with a business address as Heather Lee Scott-Zini at the same address as the Law Firm Defendants;
- Epicurum Capital Management LLC, a Delaware company which, with Thomas Brattvet, Cottonwood Management Services Inc., and others, was a director of Epicurum Limited;
- Epicurum Limited, a company incorporated in the Cayman Islands on instructions from the Law Firm Defendants. Epicurum Limited was formed as an investment fund but there is no evidence of any non-Parmalat related entity ever making an investment in it. It did, apparently, issue 3,859,305 ordinary shares to Bonlat Financing Corporation at an issue price of \$100 per share;
- Epinyte XVCAP Limited and Epinyteist Limited, both incorporated in the Cayman Islands on instructions from the Law Firm Defendants and designed to be investment funds structured in the same way as Epicurum Limited;
- Queen's Holdings LLC, a Delaware company, which was the off-shore corporation designated as the "external auditor" of certain Luxembourg corporations linked to the Tanzi family, including Food and Drink, Acqua Holding S.A., Otranto Holding S.A. and Never Holding S.A. This designation of the Delaware entity as "external auditor" enabled the Tanzi family to avoid actual auditing of the Luxembourg entities which, under Luxembourg law, were otherwise required to be fully audited;
- Barrington Ventures LLC, a New York limited liability company, which maintained at least one bank account in Luxembourg tied to Parmalat, Tanzi and Tonna that Luxembourg anti-money laundering authority investigated as a suspicious account; and
- New York Solutions, LLC, a Delaware limited liability company, which maintained at least one bank account in Luxembourg tied to Parmalat, Tanzi and Tonna that Luxembourg anti-money laundering authority investigated as a suspicious account.

78. The Citibank accounts of the Law Firm Defendants in the U.S. were used to transfer huge sums of money to key Parmalat insiders, to pay bribes to other Parmalat employees, to transfer funds between Parmalat accounts and companies, and to pay the Law Firm Defendants (and Zini) for their role in the fraudulent scheme. Further, in at least one instance in 2003, after Tonna told Zini that Parmalat needed to divert more funds, the two set up fiduciary trusts under U.S. law, which Zini managed, to which Parmalat Capital Finance (Malta)

disbursed between €8 million to €10 million, which then was disbursed among various bank accounts for Zini, Tonna and others.

79. When Zini learned that criminal authorities and securities regulators were investigating Parmalat and others in connection with the fraudulent scheme alleged herein, he ordered and then oversaw a massive effort in New York to destroy evidence of the fraudulent scheme and his participation in it. According to information provided to investigators, a massive document shredding and destruction operation was carried out, and electronically stored data was erased or transferred to storage devices which were then removed and hidden or destroyed.

80. In addition, other U.S. based entities created by the various defendants were key participants in the fraud. As described in detail below, in late 1999, defendant Citigroup formed Buconero LLC, a Delaware limited liability company, to enable Citigroup to funnel money to Parmalat by disguising what were essentially loans as investments in Parmalat subsidiaries. Vialattea LLC, a Delaware limited liability company, Buconero's direct parent, had its principal place of business in New York.

81. Further, as described more fully below, beginning in 1995 and continuing throughout the Class Period, Citigroup ran the "Eureka" securitization program for Parmalat through which Citigroup helped Parmalat obtain hundreds of millions of dollars in financing based on what Citigroup knew were phony, duplicate supermarket invoices. Citigroup raked in lucrative fees for structuring the syndications of these sham receivables. Parmalat's U.S. subsidiary, Farmland Dairies, LLC, was an integral participant in the securitization program. Citibank securitized its receivables and sold those securitized assets to United States investors.

82. Citigroup, Bank of America and other financial institutions provided extensive banking services to Parmalat that furthered and concealed the fraudulent and manipulative

accounting practices of Parmalat, by channeling hundreds of millions of dollars through United States bank accounts, and siphoning off hundreds of millions of dollars from Parmalat through various U.S. bank accounts.

83. The Ufficio Italiano Cambi (“UIC”) is an arm of Bank of Italy that, among other things, monitors transactions for anti-money laundering purposes and provides financial data to various Italian law enforcement agencies for further investigation. The UIC conducted an in-depth fact-gathering effort concerning Parmalat transactions and suspicious transfers of funds involving Zini, Tonna and members of Tanzi’s family, among others. That investigation extended to Nyte Investments, a Delaware entity. In one report, the UIC highlighted several suspicious transactions relating to Wishaw Trading S.A., a Parmalat shell company set up as the Uruguayan subsidiary of Parmalat whose balance sheets were manipulated to artificially inflate profits and eliminate inter-company debts. The suspect transactions involved transfers of millions of dollars to a Wishaw Trading S.A. bank account at Standard Charter Bank of New York. In another report, the UIC identified for further investigation the transfer of more than \$2 million to a Citibank account in New York held by Sata S.r.l., an entity linked to the Tanzi family.

84. PwC, in its investigation, similarly reported on several transfers of funds to United States entities made by Wishaw Trading. The transfers were often made through bank accounts located in the United States. According to PwC, the transfers did not appear justified by any underlying transactions. Additionally, a fictitious transaction of sales of raw materials executed with a United States entity generated \$256 million in profits for Wishaw. Wishaw issued a promissory note based on the fictitious sales which was presented to the New York

branch of the Bank Intesa, Italy's largest bank, which granted advance cash payments to Wishaw.

85. A primary objective of Parmalat's expansion plan during the late 1990s and early 2000s was to expand into the United States by acquiring businesses. To do so, however, Parmalat had to go to the financial markets to raise the money needed for its acquisitions strategy. Thus, defendants perpetrated their fraudulent scheme and course of conduct during the Class Period using Parmalat's falsified financial statements to raise billions of dollars of new capital in the United States and elsewhere. With this new capital, Parmalat was able to acquire and conduct significant operations and activities in the United States. For example, the Company purchased the following United States entities: Farmland, New Atlanta, and Sunnydale Farms Dairies (milk, ice cream and other dairy products), Black Diamond Cheese (cheeses) and MA Holdings (Archway, animal and private label cookies).

86. Grant Thornton and Deloitte routinely performed auditing services for various Parmalat entities in the United States, including Parmalat USA Corporation and other affiliated Parmalat entities, and their U.S. offices provided non-audit services, including providing "comfort letters" in connection with certain Parmalat U.S. acquisitions.

87. By 2001, Parmalat was describing itself as a "U.S. \$7 billion company," and stated that "the Company's strategic development in this [dairy] sector is thus concentrated on the East Coast and it is especially strong in New York's metropolitan area, where it holds 50% of the market." According to the Company's Annual Report for the fiscal year ended December 30, 2002, net sales in North America accounted for 35% of fiscal 2002 total net sales, the same amount of the Company's total net sales in Europe. By 2003, Parmalat (operating in the United States through Parmalat USA Corporation and Parmalat North America) had over 3,100

employees in the United States and \$5 billion in annual business here, with plants in Alabama, Georgia, Michigan, New Jersey, New York and Ohio.

88. Upon the collapse of the Parmalat empire, Parmalat filed for bankruptcy protection in Italy and also filed a case ancillary to the foreign bankruptcy in the Bankruptcy Court for this District. Several major United States-based Parmalat entities and subsidiaries, including Parmalat USA Corporation, Milk Products of Alabama LLC and Farmland Dairies LLC, filed for bankruptcy protection in this District.

89. The SEC sued Parmalat in this District for violations of United States securities laws, alleging substantial illegal conduct here in the United States, including the sale of billions of dollars of Parmalat bonds to investors in the United States. The SEC called the fraudulent scheme “one of the largest and most brazen corporate financial frauds in history.”

90. Bondi, serving as the Extraordinary Commissioner of Parmalat, Parmalat S.p.A. and their subsidiary and affiliated companies, filed the New Jersey Complaint against Citigroup, Inc., Citibank, N.A., and three Citibank special purpose entities (named as defendants herein) for the “crucial” and “integral” parts they played in the Parmalat fraudulent scheme that “resulted in billions of dollars of losses to Parmalat and to thousands of innocent shareholders and creditors in the U.S. and elsewhere.” The New Jersey Complaint asserts that key parts of the fraud allegedly perpetrated against Parmalat and its subsidiaries occurred in the United States.

91. Bondi also filed the Illinois Complaint against Parmalat’s United States-based auditors, Grant Thornton and Deloitte, for the “crucial parts they played in the theft and disappearance of over \$14 billion ... from Parmalat, resulting in billions of dollars of losses in the United States and elsewhere.” Parmalat (through Bondi) alleged in the Illinois Complaint that a large part of the fraud was accomplished through fictitious companies that were created

and managed in the United States. Bondi asserted that numerous fraudulent transactions were executed by U.S. entities as counterparties, and included numerous transactions emanating from the United States involving Parmalat's substantial operations in South America, Mexico and Canada. As Bondi makes clear in the complaints filed on behalf of Parmalat, the center of the fraud in the United States makes this country the most logical and appropriate venue for resolving claims against the defendants.

92. On October 7, 2004, Bondi, in his capacity as the Extraordinary Commissioner of Parmalat, Parmalat S.p.A. and affiliated companies in Extraordinary Administration in Italy, filed the North Carolina Complaint against Bank of America (as defined below) for the central role that it played in the Parmalat fraudulent scheme. The North Carolina Complaint asserts, among other things, that Bank of America knew and intended that the true nature of the improper and fraudulent transactions that it orchestrated would not be disclosed to the Company's investors, many of whom were in the United States. In the North Carolina Complaint, Bondi also alleges that North Carolina was the locus of the control, domination and direction of the finances, policies and business practices of all of the Bank of America defendants in the North Carolina Complaint. The North Carolina Complaint further notes that Bank of America alone placed some \$1.3 billion in Parmalat debt in the United States, the holders of which were damaged by Bank of America's fraudulent transactions.

93. In fact, the Citigroup affiliates named in the New Jersey Complaint and the auditing firm affiliates named in the Illinois Complaint, affirmatively sought to have the claims against them heard in this Court. On September 9, 2004, Citigroup, Inc., Citibank, N.A., Vialattea LLC, Buconero LLC and Eureka Plc (collectively, as defined below, "Citigroup"), all of whom are defendants in the New Jersey Action and in the instant case, filed a Notice of

Removal to remove Bondi's complaint from the New Jersey state court, where it was initially filed, to the United States District Court for the District of New Jersey. In support of removal, Citigroup stated that the United States federal court has jurisdiction over Bondi's claims against them because the claims are related to bankruptcy proceedings pending in this District, and specifically stated that the New Jersey Action should be heard by this Court. Citigroup emphasized that the New Jersey Action alleges fraud, pointing to allegations that Citigroup (1) knew and intended to defraud investors who purchased Parmalat securities and (2) were involved in Parmalat's fraud in part through the program of securitizing receivables of various Parmalat U.S.-based subsidiaries and other Parmalat companies.

94. On September 16, 2004, Grant Thornton International, Grant Thornton LLP, Grant Thornton S.p.A., Deloitte Touche Tohmatsu, Deloitte & Touche USA LLP, Deloitte & Touche LLP and Deloitte & Touche S.p.A. filed a Notice of Removal to remove Bondi's complaint against them from the Illinois state court, where it was initially filed, to the United States District Court for the Northern District of Illinois. In support of removal, the auditors maintained that the U.S. federal court has jurisdiction over Bondi's claims against them because the claims are related to bankruptcy proceedings pending in this District. The auditors noted that the Illinois Action alleges fraud. They also emphasized that the Illinois Action has been brought on behalf of Parmalat's U.S.-based subsidiaries, among others, and pointed out that Bondi's allegations concerned, in part, the auditors' work performed for Parmalat's U.S. subsidiaries. They also highlighted Bondi's allegations that Parmalat had substantial ties to, and conducted substantial business in, the United States.

95. In their respective Motions to Transfer the Illinois Action and the New Jersey Action to this District, both filed on September 17, 2004, Deloitte Touche Tohmatsu and Grant

Thornton International, joined by the other auditors named in the Illinois Action, argued that the Southern District of New York is the appropriate forum to hear all Parmalat related litigation currently pending in the United States, in part, because: (a) the fraud-based allegations in the Illinois and New Jersey Actions are similar to the fraud claims in this action; (b) the non-existent \$5 billion Bonlat account was purportedly held in a Bank of America branch in New York; and (c) Citigroup, Deloitte Touche Tohmatsu, Deloitte & Touche USA LLP, Deloitte & Touche LLP and Grant Thornton LLP all have offices in New York.

IV. THE PARTIES

A. The Parmalat Group

96. Parmalat is one of the world's largest food and dairy companies, conducting business through almost 200 operating and financing subsidiaries, including at least 22 wholly owned subsidiaries which are incorporated in and/or located in the United States.

97. Coloniale S.p.A. ("Coloniale") is Parmalat's holding company owned and controlled by defendant Tanzi and his family. Coloniale is the controlling shareholder of Parmalat, owning 50.5% of the equity of Parmalat. Coloniale and its affiliates were participants in the defendants' fraudulent scheme and wrongful course of business and were the recipients of hundreds of million of dollars diverted from Parmalat.

98. Certain companies of the Parmalat Group are currently undergoing extraordinary administration proceedings ("Extraordinary Administration"), akin to bankruptcy, pursuant to new rules recently adopted by decree as a matter of urgency by the Italian government on December 23, 2003, in response to the Parmalat financial crisis, which were ratified with

significant amendments by the Italian Parliament on February 18, 2004 (the “Marzano Decree”).⁵ On December 24, 2003, Parmalat S.p.A. (the Parmalat Group’s main Italian operating company) was admitted to Extraordinary Administration. The Minister appointed Bondi as Extraordinary Trustee.

99. Pursuant to the Marzano Decree, and at the request of Bondi, the Extraordinary Administration proceedings have been extended to Parmalat and other entities in the Parmalat Group, including Coloniale, Eurolat S.p.A., Lactis S.p.A, Parmatour S.p.A. (a company outside the Parmalat Group but controlled by the Tanzi family), Contal S.r.l., Parmengineering S.r.l., Geslat S.r.l., Hit S.p.A., Hit International S.p.A. and Nuova Holding S.p.A. The Extraordinary Administration proceedings have also been extended to a number of Parmalat Group subsidiaries with registered offices elsewhere in the European Union, including Parmalat Netherlands B.V., Parmalat Finance Corporation B.V., Parmalat Capital Netherlands B.V., Dairies Holding International B.V., Parma Food Corporation B.V., Parmalat Soparfi S.A., Olex S.A., Deutsche Parmalat G.m.b.h., Parmalat Molkerei G.m.b.h. and Eurofood IFSC Limited.

100. But for the Extraordinary Administration, Parmalat, Coloniale and the other entities identified in the preceding paragraph that are in Extraordinary Administration would be named as defendants in this lawsuit.

101. Bonlat Financing Corporation (“Bonlat”) is a Cayman Islands financing subsidiary of Parmalat formed and organized in 1998 by Grant Thornton, Parmalat and Zini. Bonlat is presently in provisional liquidation proceedings. Bonlat was controlled by Grant Thornton, Parmalat and the Individual Defendants, and was used by them in the scheme as a vehicle to hide Parmalat’s losses.

⁵ See Decree-law No. 347 of December 23, 2003, published in the Italian Official Gazette No. 298 on December 24, 2003, ratified by the Italian Parliament with Law No. 39 of February 18, 2004, published in the Italian Official Gazette No. 42 on February 20, 2004.

102. Camfield Pte. Ltd. (“Camfield”) is a Singapore-based holding and shell company organized by Zini, Grant Thornton and Parmalat. Camfield was controlled by Grant Thornton, Parmalat and the Individual Defendants, and was used by them as a vehicle to overstate Parmalat’s revenues and assets.

103. Pursuant to a preliminary injunction order issued by the United States Bankruptcy Court for the Southern District of New York, a stay of proceedings against Parmalat and its affiliates is in effect. But for that order, Bonlat and Camfield would be named as defendants in this lawsuit.

B. Plaintiffs

104. Hermes Focus Asset Management Europe, Ltd. (“HFAME”) is a fund management company organized under the laws of England and Wales. It is owned (51%) by the BT Pension Scheme, the United Kingdom’s largest corporate pension fund and (49%) by Hermes Focus Asset Management, Ltd. HFAME invests on behalf of pension funds, insurance companies, government entities and financial institutions, as well as charities and endowments. It is the general partner and manager of plaintiffs Hermes European Focus Fund I, Hermes European Focus Fund II and Hermes European Focus Fund III (collectively, the “HFAME Funds”). HFAME caused the HFAME Funds to purchase Parmalat ordinary shares during the Class Period, as set forth in the Certification previously filed with the Court.

105. Hermes European Focus Fund I (“HEFF I”) is a limited partnership whose general partner and manager is HFAME. HFAME manages HEFF I, including making all investment decisions on its behalf. During the Class Period, HEFF I bought Parmalat ordinary shares, as set forth in the Certification filed herewith, at artificially inflated prices and has been damaged thereby.

106. Hermes European Focus Fund II (“HEFF II”) is a limited partnership whose general partner and manager is HFAME. HFAME manages HEFF II, including making all investment decisions on its behalf. During the Class Period, HEFF II bought Parmalat ordinary shares, as set forth in the Certification filed herewith, at artificially inflated prices and has been damaged thereby.

107. Hermes European Focus Fund III (“HEFF III”) is a limited partnership whose general partner and manager is HFAME. HFAME manages HEFF III, including making all investment decisions on its behalf. The limited partner of HEFF III is California Public Employees Retirement System (“CalPERS”). Any recovery by HEFF III will ultimately inure to the benefit of CalPERS. During the Class Period, HEFF III bought Parmalat ordinary shares, as set forth in the Certification filed herewith, at artificially inflated prices and has been damaged thereby.

108. Cattolica Partecipazioni, S.p.A. purchased Parmalat bonds during the Class Period, as set forth in the Certification previously filed with the Court, at artificially inflated prices, and has been damaged thereby.

109. Capital & Finance Asset Management S.A. purchased Parmalat bonds during the Class Period, as set forth in the Certification previously filed with the Court, at artificially inflated prices, and has been damaged thereby.

110. Societe Moderne des Terrassements Parisiens purchased Parmalat bonds during the Class Period, as set forth in the Certification previously filed with the Court, at artificially inflated prices, and has been damaged thereby.

111. Solotrat purchased Parmalat bonds during the Class Period, as set forth in the Certification previously filed with the Court, at artificially inflated prices, and has been damaged thereby.

112. Plaintiffs Laura J. Sturaitis, a United States citizen, and Arch Angelus Sturaitis, a permanent United States resident alien, as joint tenants with right of survivorship, purchased Parmalat ordinary shares in the United States during the Class Period as set forth in the Certification filed herewith, at artificially inflated prices, and have been damaged thereby.

113. Plaintiff Paulo Bianco, a United States citizen, purchased Parmalat bonds during the Class Period as set forth in the Certification filed herewith, at artificially inflated prices and has been damaged thereby.

114. By Order of the Court dated May 25, 2004, Hermes, Cattolica Partecipazioni, S.p.A, Capital & Finance Asset Management S.A., Societe Moderne des Terrassements Parisiens and Solotrat were appointed Co-Lead Plaintiffs in this action in accordance with §27(a)(3) of the Securities Act, 15 U.S.C. §77z-1(a)(3), and §21D(a)(3)(B) of the Exchange Act, 15 U.S.C. §78u-4(a)(3)(B).

C. Defendants

115. Defendant Calisto Tanzi (“Tanzi”) served at all relevant times prior to his December 16, 2003 “resignation” as Chairman, Chief Executive Officer (referred to as “Managing Director” in Italy) and a member of Parmalat’s Executive Committee. Tanzi is a controlling shareholder of Coloniale, which owns 50.5% of the equity of Parmalat. Until recently, Tanzi had been incarcerated on charges of market rigging, fraudulent accounting and financial reporting, obstructing a market regulator and conspiring to issue false information to investors on May 26, 2004. A court in Parma ordered the seizure of Tanzi’s assets on June 21, 2004. The order of seizure of assets noted that Tanzi did not deny any of the charges.

116. Defendant Fausto Tonna (“Tonna”) served at relevant times prior to his February 2003 resignation from the Board as the Chief Financial Officer, Director and a member of the Executive and Audit Committees of the Company. Tonna is a Director of Bonlat and the Chairman of the Board of Coloniale. Tonna was jailed and indicted on May 26, 2004 and charged with the market rigging, fraudulent accounting and financial reporting, obstructing a market regulator and conspiring to issue false information to investors. A court in Parma ordered the seizure of Tonna’s assets on June 21, 2004.

117. Defendant Stefano Tanzi (“S. Tanzi”) served at all relevant times as a Director of Parmalat and was a member of Parmalat’s Executive Committee. S. Tanzi also was a Director of Coloniale, the Tanzi family’s holding company, at all relevant times. He is Calisto Tanzi’s son. Until recently, S. Tanzi had been incarcerated on charges of market rigging, fraudulent accounting and financial reporting, obstructing a market regulator and conspiring to issue false information to investors. S. Tanzi’s assets were seized by a court in Parma on June 21, 2004.

118. Defendant Luciano Del Soldato (“Del Soldato”) served from February 2003 until October 2003 as Parmalat’s Chief Accounting Officer. He also took over the duties of Chief Financial Officer from October 2003 to December 2003. Del Soldato was a Parmalat Director in 2002 and 2003. Del Soldato was arrested and indicted on May 26, 2004 for market rigging, fraudulent accounting and financial reporting, obstructing a market regulator and conspiring to issue false information to investors. A court in Parma ordered the seizure of Del Soldato’s assets on June 21, 2004.

119. Defendant Giovanni Tanzi (“G. Tanzi”) served at all relevant times as a Director of Parmalat and was a member of Parmalat’s Executive Committee until his resignation on December 15, 2003. G. Tanzi is Tanzi’s brother and also served, at all relevant times, as a

Director of Coloniale. G. Tanzi was arrested on February 17, 2004 and, on May 26, 2004, was charged with market rigging, fraudulent accounting and financial reporting, obstructing a market regulator and conspiring to issue false information to investors. A court in Parma ordered the seizure of G. Tanzi's assets on June 21, 2004.

120. Defendant Alberto Ferraris ("Ferraris") served at all relevant times, prior to his November 14, 2003 resignation, as a Director of Parmalat. Ferraris also served as Parmalat's Chief Financial Officer from March 2003 to October 2003. Prior to joining Parmalat in 1997, Ferraris had been in Citibank's Corporate Banking Unit. Ferraris also spent a year in charge of Parmalat's Canadian operations and as Chief Executive of Parmalat's Australian Operations. Ferraris was indicted on May 26, 2004, and charged with market rigging, fraudulent accounting and financial reporting, obstructing a market regulator and conspiring to issue false information to investors. Ferraris's assets have been seized pursuant to a court order.

121. Defendants Tanzi, Tonna, G. Tanzi, S. Tanzi, Del Soldato and Ferraris are referred to collectively herein as the "Director Defendants."

122. Defendant Mario Brughera ("Brughera") served at all relevant times as Chairman of Parmalat's Board of Statutory Auditors and President of the Committee of Administrative Oversight. Brughera was indicted by prosecutors in Milan on May 26, 2004 for market rigging, fraudulent accounting and financial reporting, obstructing a market regulator and conspiring to issue false information to investors. Brughera's assets have been seized pursuant to a court order.

123. Defendant Oreste Ferretti ("Ferretti") served at all relevant times on the Board of Statutory Auditors. Ferretti was indicted by prosecutors in Milan on May 26, 2004, for market rigging, fraudulent accounting and financial reporting, obstructing a market regulator and

conspiring to issue false information to investors. Ferretti's assets have been seized pursuant to a court order.

124. Defendant Massimo Nuti ("Nuti") served on the Board of Statutory Auditors in 1998, and again from 2002 until the end of the Class Period. Nuti was indicted by prosecutors in Milan on May 26, 2004 for market rigging, fraudulent accounting and financial reporting, obstructing a market regulator and conspiring to issue false information to investors. Nuti's assets have been seized pursuant to a court order.

125. Defendant Maria Martellini ("Martellini") served, from the 1999 Half-Year Report through the 2001 Annual Report, on Parmalat's Board of Statutory Auditors.

126. Defendants Brughera, Ferretti, Nuti and Martinellini are referred to collectively herein as the "Statutory Auditor Defendants."

127. Defendant Gianfranco Bocchi ("Bocchi") served at all relevant times as an internal accountant in charge of Bonlat's accounting department and was responsible for, among other things, the entries made to Bonlat's financial statements, including purported sales in the United States of trademarks and other intellectual property, purported sales recorded for a sale of powdered milk by a Parmalat subsidiary to a Cuban state-owned importer, purported assets held by Bonlat in the Epicurum Fund, and entries to Bonlat's "Account 999," all of which are described in detail below. Bocchi also facilitated the illicit flow of Parmalat funds to Tanzi family members and Tanzi controlled entities. Bocchi was indicted by prosecutors in Milan on May 26, 2004 for market rigging, fraudulent accounting and financial reporting, obstructing a market regulator, and conspiring to issue false information to investors. Bocchi's assets have been seized pursuant to a court order.

128. The Director Defendants, the Statutory Auditor Defendants and Bocchi are referred to herein as the “Individual Defendants.” Because of the Individual Defendants’ positions with the Company and with entities in the Parmalat Group, they had access to the information about Parmalat’s business, operations, financial statements, and present and future business prospects via access to internal corporate documents (including the Company’s operating plans, budgets and forecasts and reports of actual operations compared thereto), conversations and connections with other corporate officers and employees, attendance at management and Board of Directors meetings and committees thereof and via reports and other information provided to them in connection therewith. Each of the Individual Defendants participated in the drafting, preparation, and/or approval of the various reports and other communications complained of herein and were aware of, or recklessly disregarded, the misstatements contained therein and omissions therefrom, and were aware of their materially false and misleading nature. Because of their Board membership and/or executive and managerial positions with Parmalat and the Parmalat Group, each of the Individual Defendants had access to the adverse undisclosed information about Parmalat’s and the Parmalat Group’s business prospects and financial condition and performance as particularized herein and knew (or recklessly disregarded) that these adverse facts rendered the representations made by or about Parmalat and the Parmalat Group and their business and financial condition materially false and misleading.

129. As Bondi concluded in his June 2004 report, “the financial collapse was knowable to individuals involved in the Group’s management” and, based on this knowledge, those insiders could have “rescue[d] [the Company] through a restructuring plan.”

130. As officers and controlling persons of a publicly held company whose securities were purchased in countries and traded on exchanges worldwide, the Individual Defendants each had a duty to disseminate prompt accurate and truthful information with respect to the Company's financial condition and performance, growth, operations, financial statements and present and future business prospects, and to correct any previously issued statements that had become materially misleading or untrue, so that the market price of the Company's securities would be based upon truthful and accurate information.

The Accountants

131. Defendant Deloitte Touche Tohmatsu, headquartered in New York City, is a professional services organization with member firms around the world and in the United States. Deloitte Touche Tohmatsu markets itself worldwide under the brand name "Deloitte."

132. Defendant Deloitte & Touche LLP is a Delaware limited liability partnership headquartered in New York.

133. Defendant Deloitte & Touche USA LLP is a Delaware limited liability partnership headquartered in New York.

134. Defendants Deloitte Touche Tohmatsu, Deloitte & Touche LLP and Deloitte & Touche USA LLP are referred to herein as "Deloitte."

135. Deloitte and its various affiliates and member firms around the world were directly, indirectly and/or collectively involved in auditing Parmalat and its affiliated and subsidiary companies and played an integral part in the conduct, acts and omissions described below. The world-wide affiliates and member firms controlled by Deloitte that were directly involved in the fraudulent scheme include:

- A. Deloitte & Touche S.p.A. ("Deloitte & Touche S.p.A."), an Italian Società per Azioni. Deloitte & Touche S.p.A (formerly Nuova Deloitte & Touche S.p.A.)

audited the half-year accounts of Parmalat Finanziaria S.p.A. at June 30, 2003. Arthur Andersen S.p.A., the Italian audit arm of Arthur Andersen, was merged into and became Nuova Deloitte & Touche Italia S.p.A., effective August 1, 2003. Also effective on the same day was the merger of Deloitte & Touche S.p.A. into Nuova Deloitte & Touche Italia S.p.A. (which previously had been Nuova Deloitte & Touche S.r.l., which in turn became Deloitte & Touche S.p.A. on July 23, 2003). On July 30, 2003, as part of these transactions, the former Deloitte & Touche S.p.A., changed its name to DT S.p.A. and on August 1, 2003, Nuova Deloitte & Touche Italia S.p.A. changed its name to Deloitte & Touche S.p.A. On May 26, 2004, Deloitte & Touche S.p.A. was indicted by prosecutors in Milan for its role in the Parmalat fraud;

- B. DT S.p.A., among other Deloitte member firms, participated in the audit of the consolidated annual financial statements of Parmalat and its subsidiary and affiliate companies. On May 26, 2004, DT S.p.A. was indicted by prosecutors in Milan for its role in the Parmalat fraud;
- C. Deloitte Touche Tohmatsu Auditores Independentes (Brazil), sometimes known as DTT Brazil (“Deloitte Brazil”), a subsidiary of Deloitte Touche Tohmatsu USA, and the Brazilian audit arm of the Deloitte audit organization;
- D. Deloitte & Touche S.A., Luxembourg, the Luxembourg audit arm of the Deloitte audit organization;
- E. Deloitte & Touche Malta, also known as D&T-Malta (“Deloitte Malta”), the Maltese audit arm of the Deloitte audit organization;

- F. DT Netherlands, also known as Deloitte Accountants Rotterdam, Netherlands, the Dutch audit arm of the Deloitte audit organization; and
- G. Deloitte & Touche Venezuela, the Venezuelan audit arm of the Deloitte audit organization.

These affiliates and member firms, to the extent they provided audit services to Parmalat entities, did so as agents of Deloitte, and provided those services on the authority of, at the direction of, and for the benefit of Deloitte. Deloitte controlled the acts of its member firms and audit partners as described herein.

136. Defendant James E. Copeland Jr. (“Copeland”) was the Chief Executive Officer and/or Managing Partner of Deloitte Touche Tohmatsu and Deloitte & Touche LLP until May 2003. In this role, Copeland acted as a controlling person of Deloitte Touche Tohmatsu and Deloitte & Touche LLP.

137. Deloitte was engaged by Parmalat to provide independent auditing and/or consulting services to Parmalat, including the preparation, examination and/or review of Parmalat’s consolidated financial statements for fiscal years 1999 through 2003 and related public statements and filings, which were disseminated to investors in the United States (and worldwide) and were included in offering memoranda and other marketing and selling documents used by Parmalat to convey information about the Company’s financial condition and business prospects and to raise over \$5 billion during the Class Period through the sale of its securities for which Deloitte and its member firms received millions of dollars in fees.

138. The leadership of Deloitte is centralized in a global Chief Executive Officer and a global Board of Directors. Deloitte holds itself out as a leading unified international professional services firm which delivers accounting, assurance, advisory, tax, and consulting services

“seamlessly around the globe.” Deloitte markets itself as a single global organization, describing itself as follows:

Deloitte Touche Tohmatsu is an organization of member firms devoted to excellence in providing professional services and advice. We are focused on client service through a **global strategy executed locally in nearly 150 countries. With access to the deep intellectual capital of 120,000 people worldwide**, our member firms (including their affiliates) deliver services in four professional areas: audit, tax, consulting, and financial advisory services. Our member firms serve over one-half of the world’s largest companies, as well as large national enterprises, public institutions and successful, fast-growing global growth companies.

139. On its website, Deloitte discusses the importance of its name Deloitte in the worldwide marketplace:

One word says it all

Beginning 1 October 2003, **our organization will be recognized in the marketplace by the single brand name “Deloitte”**. The legal name of our global organization will continue to be Deloitte Touche Tohmatsu, and the legal names of our local organizations will largely remain the same.

It is the name by which we are most widely known around the world and the name to which we are most often abbreviated.

It illustrates the completeness of the Deloitte proposition and our integrated approach to solving clients’ problems.

Our ability to collaborate more effectively, combined with our broad range of services, enables our member firms to create the more complete solution.

To learn more about Deloitte and what we can do for you, please contact your nearest Deloitte office. You can also use the Global Site selector at the top of this page to navigate directly to one of our member firms.

140. In keeping with its structure and objectives, Deloitte requires member firms, including Deloitte & Touche S.p.A., to use the Deloitte brand name and logo when soliciting potential clients, and also to include the Deloitte name and logo when delivering the contracted-for services to clients.

141. Another Deloitte Touche Tohmatsu webpage states that “Our global network of audit professionals can assist you in achieving your business objectives, managing your risk, and improving your business performance no matter where in the world you reside.” (www.deloitte.com/dtt/officelocations/0,2308,sid%rD2289%cid%3D5419,00.html (April 23, 2004)). Not surprisingly, in the wake of this lawsuit, Deloitte has deactivated this webpage.

142. Deloitte Touche Tohmatsu’s marketing materials state that “Deloitte Touche Tohmatsu’s audit services are at the core of the professional services” it offers and that it conducts audits through its “internationally experienced professionals” who are “deploy[ed] . . . across borders to support [its] clients’ needs.”

143. A May 7, 2004 request for a No-Action Letter to the SEC by Deloitte & Touche LLP stated:

For purposes of this letter, Deloitte, including Deloitte Touche Tohmatsu, a Swiss Verein (“DTT”), **includes DTT member firms, and its and their respective subsidiaries and any other firms conducting audit activities for SEC registrants under the name “Deloitte Touche Tohmatsu,” “Deloitte Touche,” “Tohmatsu,” “Deloitte Consulting” and other combinations or derivations thereof** or otherwise as part of the Deloitte Touche Tohmatsu network of firms or “accounting firm,” or any other entity that would be subject to the Commission’s independence rules as defined in Rule 2-01(f)(2) of Regulation S-X. (footnote omitted)

144. Partners, associates, officers, directors, employees and other members of the Deloitte member firms regularly participate in global Deloitte Touche Tohmatsu practice groups and regularly attend meetings of Deloitte Touche Tohmatsu in the U.S. and abroad. Additionally, Deloitte Touche Tohmatsu has established a policy and practice among its member firms to cross-check the quality of each other’s work product. According to Deloitte Touche Tohmatsu, this uniform oversight policy ensures that **Deloitte’s clients receive “uniform, quality service wherever they do business, anywhere in the world.”**

145. As a further control, Deloitte counsels its member firms to look for the possibility of fraud when those firms conduct audits. In fact, Deloitte's provision of services worldwide has made it particularly attuned to the possibility of fraud occurring across borders and in multiple countries, particularly those joining in trade or commerce unions. In 1997, Deloitte's Director of the Fraud and Investigative Accounting Group warned that the "gradual disappearance of internal borders between the 15 countries in the [European Union] has created particularly rich opportunities for fraud."

146. Deloitte also promulgates and enforces professional standards which its member firms must obey, and has the power and authority to exercise oversight over these firms.

147. In a speech on May 14, 2004 entitled "Globalization's Next Frontier: Principled Codes of Conduct that Bolster the Rule of Law," Deloitte Touche Tohmatsu's CEO, Bill Parrett recently announced the creation of a global ethics and compliance program and global code of conduct. Parrett stated:

We are rules-driven — certainly in the United States — and we have always strived to "follow the rules." But in the wake of scandals and the loss of investor confidence, we obviously must do more to restore public trust.

* * *

Of course, I would not challenge others to become more ethical without asking the same of Deloitte. As you might imagine, **it is a vast effort for an organization with 120,000 people in 150 nations**. In brief, we seek to transform our ethical behavior from an implicit norm to an explicit standard:

- We have established a Global Ethics & Compliance program, and named our first Global Ethics Officer, Kjeld Bøg, of our Danish firm.
- We are creating a global code of conduct — based upon nine principles to unite our people ethically — wherever they may be.
- And our code has some teeth — specifying for the first time that any member firm or partner who fails to live up to our ethical principles will be subject to expulsion or termination.

- Deloitte member firms will use our global code as an overarching guide in developing their own codes of conduct — giving them the flexibility to address local regulatory, legal and cultural requirements, while still meeting the highest standard of global conduct.
- We will formally adopt and announce Deloitte’s code of ethics this June at our World Partners Meeting in Rome.

148. In addition to checking each other’s quality of work, Deloitte member firms use each other’s services to perform, or assist in performing, audits of companies whose organizational structures span across international boundaries, including Parmalat.

149. These member firms also join together in submitting bids for potential audit services and other work. These joint bids make clear that a large number of constituent member firms will be performing auditing and other services.

150. Deloitte Touche Tohmatsu also reports revenue for the organization on a combined basis. In a release dated October 1, 2003, Deloitte Touche Tohmatsu stated:

Deloitte Touche Tohmatsu, the global professional services organization, announced today its tenth consecutive year of annual growth, with combined worldwide revenues from its member firms totaling US\$151.1 billion, a 20.8 percent increase over FY2002 revenues of US\$122.5 billion. Additionally, the global organization announced the launch of the new brand name “Deloitte” to highlight the value of its multidisciplinary organization. Today’s change means that the firms known in various national and global markets as Deloitte Touche Tohmatsu, Deloitte & Touche, and Deloitte Consulting, while retaining their local legal names, will now be known as the brand “Deloitte.”

William G. Parrett, global chief executive officer, said, “The FY 2003 results are a testament to our people’s dedication and commitment to serving our clients, their stakeholders, and the capital markets. We accomplished this growth in a year that witnessed sweeping regulatory changes around the world - changes that altered the way **our member firms conduct our business.**”

151. While Deloitte Touche Tohmatsu headed and controlled the global network of Deloitte member firms, Deloitte Touche Tohmatsu was, at all relevant times, dominated and

controlled by its U.S. member firm and alter ego, Deloitte & Touche LLP. Both organizations had Copeland as their CEO from 1999 until May 2003 and have had the same CFO -- Bill Fowler ("Fowler") and then Jeffrey P. Rohr ("Rohr") -- for at least the last ten years. Copeland's successor as Deloitte Touche Tohmatsu's CEO, Bill Parrett, was also the Managing Partner of Deloitte & Touche LLP and remains Deloitte & Touche LLP's senior partner. Copeland succinctly highlighted the single unified structure of Deloitte when (as reported in a March 13, 2003 Press Release by Deloitte & Touche LLP) he commented on his retirement and replacement by stating: "I am pleased that **the firm** has elected people of such talent and integrity to lead **the firm** both in the U.S. and globally."

152. Rohr, the current CFO of both Deloitte Touche Tohmatsu and Deloitte & Touche LLP, was previously Managing Partner of Deloitte & Touche LLP's midwest practice in Chicago since 1995, and was also previously Managing Partner of Deloitte & Touche LLP's Central Atlantic practice in Washington, D.C. and national director of business planning for Deloitte & Touche LLP's U.S. practice in New York. In addition to serving as the CFO for both Deloitte & Touche LLP and Deloitte Touche Tohmatsu, Rohr also sits on Deloitte & Touche LLP's operating and executive committees as well as Deloitte Touche Tohmatsu's global management committee -- which are described by Deloitte & Touche LLP as "key leadership panels responsible for setting and reviewing important strategic objectives and executing the financial plan."

153. Deloitte & Touche LLP and Deloitte Touche Tohmatsu have long been run by the same individual. Before Rohr, Bill Fowler served for nine years as the CFO of Deloitte & Touche LLP **and** as the CFO and Managing Partner of Deloitte Touche Tohmatsu. Previously, Fowler was Managing Partner of Deloitte & Touche LLP's Pacific Northwest practice in Seattle.

154. Edward Kangas, another former Managing Partner of Deloitte & Touche LLP, preceded Copeland as chief executive officer of Deloitte Touche Tohmatsu (from 1989 to 1999) while also serving as Deloitte Touche Tohmatsu's Chairman until his retirement in 2000.

155. As a result of the services Deloitte and its member firms provided to Parmalat throughout the Class Period, Deloitte received tens of millions of dollars in fees. Deloitte was engaged to perform and did perform these services so that Parmalat's financial statements could be presented to, reviewed and relied upon by securities purchasers, governmental agencies, the investing public, and members of the financial community. In providing services to Parmalat, Deloitte's representatives were frequently present at Parmalat's corporate headquarters and financial offices (and at the offices of at least 32 of Parmalat's affiliated and subsidiary companies) between 1999 and 2003, and had continual access to Parmalat's confidential corporate, financial and business information which Deloitte reviewed or recklessly disregarded. Deloitte actively participated in the presentation, review and issuance of Parmalat's false financial statements.

156. Deloitte was not alone in providing auditing and related services to Parmalat in furtherance of the fraud. Defendant Grant Thornton International also provided such services and participated in the fraudulent scheme.

157. Defendant Grant Thornton International is an Illinois corporation with worldwide headquarters in London, England and is dedicated to providing accounting services to middle-market public and private clients. Grant Thornton International has member firms in approximately 100 countries. Grant Thornton International was a controlling person of Grant Thornton LLP, Grant Thornton S.p.A., audit partners Lorenzo Penca and Maurizio Bianchi, and Bonlat and Camfield.

158. Defendant Grant Thornton LLP is a member firm of Grant Thornton International with headquarters in Chicago, Illinois. Grant Thornton LLP was controlled by and was an agent of Grant Thornton International, and acted on authority of, at the direction of, and for the benefit of Grant Thornton International. Grant Thornton LLP was a controlling person of Grant Thornton S.p.A., audit partners Lorenzo Penca and Maurizio Bianchi, and Bonlat and Camfield.

159. Defendant Grant Thornton S.p.A. is a member firm of Grant Thornton International based in Italy. Grant Thornton S.p.A. was controlled by Grant Thornton International and Grant Thornton LLP, and was their agent acting on their authority, at their direction and for their benefit. Grant Thornton S.p.A. is now known as Italaudit S.p.A. (“Italaudit”). Grant Thornton S.p.A. was a controlling person of audit partners Lorenzo Penca and Maurizio Bianchi, and Bonlat and Camfield.

160. Defendants Grant Thornton International, Grant Thornton LLP and Grant Thornton S.p.A. are referred to herein as “Grant Thornton.”

161. Grant Thornton provides accountancy, audit and business advice around the world, generating approximately \$2 billion per year in fees for such services, of which approximately a quarter are generated by the U.S. unit.

162. Grant Thornton markets itself as a global organization. Grant Thornton issued a release on August 13, 2003, which stated:

Grant Thornton is the first global accounting organization to file with PCAOB.

Grant Thornton, the leading global accounting, tax, and business advisory firm dedicated to serving the needs of mid-size companies, filed today the first Public Company Accounting Oversight Board (PCAOB) registration application of any major international accounting organization.

“We are committed to restoring public trust in the audit process and the accounting profession, and I am proud that Grant Thornton is the first major

global organization to have taken this step toward that goal,” said Grant Thornton Chief Executive Officer Edward Nusbaum.

Grant Thornton is the leading global accounting, tax and business advisory firm dedicated to serving the needs of middle-market companies. Founded in 1924, Grant Thornton serves public and private middle-market clients through 50 offices in the United States, and in 585 offices in 110 countries through Grant Thornton International. Grant Thornton’s Web site address is www.grantthornton.com.

163. Grant Thornton International establishes procedures, policies and practices for its members. Additionally, Grant Thornton International performs a review of its members at least every three years to ensure their compliance with such procedures, policies and practices.

164. Grant Thornton audited Parmalat’s consolidated financial statements during the period 1990 through and including 1998. Beginning in 1999, after Deloitte replaced Grant Thornton as the Company’s auditor, Parmalat retained Grant Thornton to provide auditing services, including the preparation, examination and/or review of the financial statements for Bonlat and at least 17 other Parmalat subsidiaries. Grant Thornton performed these services so that Parmalat’s consolidated financial statements could be presented to securities purchasers, governmental agencies, the investing public and members of the financial community. Grant Thornton knew that this financial data would be incorporated into the Company’s consolidated statements and would be disseminated to investors through annual and quarterly reports, press releases and in offering memoranda and other selling documents used to raise over \$5 billion from unsuspecting investors.

165. In connection with the services it rendered to Parmalat, Grant Thornton personnel were present at Parmalat’s corporate headquarters and financial offices in Italy and/or in the United States frequently between 1999 and 2003 and had continual access to Parmalat’s confidential corporate financial and business information, including Parmalat’s false financial statements and true financial condition. In fact, Grant Thornton had former auditors become

Company insiders, including Franco Gorreri, who served as an internal auditor and as Parmalat S.p.A.'s Treasurer. Gorreri, who was indicted in May 2004, was directly involved in the false factoring scheme described below, and in illicit disbursements to Tanzi family members.

166. Grant Thornton actively participated in the preparation, review and issuance of Parmalat's false financial statements and fictitious financial documents, including false audit opinions and false confirmation requests, including those relating to Bonlat used in connection with Grant Thornton's fiscal year 2002 audit of Bonlat and purportedly sent to Bank of America on December 20, 2002, and to several other third parties on or about January 31, 2003. Grant Thornton received millions of dollars in fees as a direct result of the services it provided to Parmalat, Bonlat and Parmalat's subsidiaries.

167. In a press release dated December 31, 2003, Grant Thornton International announced that "Grant Thornton S.p.A. ha[d] accepted the resignation of Lorenzo Penca as chairman of the Italian member firm" and that "Lorenzo Penca and Maurizio Bianchi have both been suspended with immediate effect from all responsibilities for an indefinite period" following their "arrest by Italian authorities . . . in relation to the Parmalat matter." Grant Thornton International said that it "is continuing, with the involvement of legal counsel, its investigation into the Parmalat matter and its review of Grant Thornton S.p.A."

168. In a press release dated January 8, 2004, Grant Thornton International announced that as a result of its own internal investigation of the Parmalat matter, it had "terminated its relationship with its member firm Grant Thornton S.p.A. in Italy with immediate effect." As a result of this expulsion, "Grant Thornton S.p.A. can no longer operate as part of the international network" and "[n]o further work will be performed by independent Grant Thornton International member firms on behalf of Grant Thornton S.p.A."

169. Subsequently, on or about January 30, 2004, Grant Thornton S.p.A. changed its name to Italaudit S.p.A. On May 26, 2004, the court in Milan indicted Italaudit and its audit partners, Lorenzo Penca and Maurizio Bianchi, for their roles in the Parmalat fraud. Additionally, pursuant to a resolution adopted by CONSOB on July 28, 2004, Italaudit was barred from conducting audits for Italian clients. Among reasons given for CONSOB's actions were a repeated pattern of violation of recounting principles and law, as well as the failure of Grant Thornton S.p.A. to monitor its personnel's work as required by law.

170. Deloitte and Grant Thornton are sometimes referred to collectively herein as the "Auditor Defendants."

The Financial Institutions

171. Defendant Citigroup, Inc. is an integrated financial-services institution headquartered in New York City. Through its subsidiaries and divisions, Citigroup, Inc. provides strategic and financial-advisory services in this District and in other locations throughout the United States and worldwide. As set forth below, Citigroup, Inc. participated in a scheme to defraud and engaged in acts and a course of business that operated as a fraud or deceit upon purchasers of Parmalat securities. Citigroup, Inc. directly and indirectly controlled and directed the acts of its employees, subsidiaries and affiliates that participated in the fraud, including defendants Citigroup N.A., Buconero LLC, Vialattea LLC and Eureka Securitization Plc and, to the extent that Citigroup Inc.'s employees, subsidiaries and affiliates provided professional services relating to Parmalat, they did so on the authority of, at the direction of, and for the benefit of Citigroup, Inc.

172. Defendant Citibank, N.A. ("Citibank"), is a national banking association with its principal place of business in New York City. Citibank is the largest United States commercial bank and has offices and branches throughout the United States and worldwide. Citigroup, Inc.,

through Citibank, is also the depository which, during the Class Period, served as the administrator of the Parmalat ADR Program. As set forth below, Citibank participated in a scheme to defraud and engaged in acts and a course of business that operated as a fraud or deceit upon purchasers of Parmalat securities. Citibank is controlled by Citigroup, Inc. and Citibank provided banking and indemnity services to Parmalat entities as the agent of Citigroup, Inc. on the authority of, at the direction of, and for the benefit of Citigroup, Inc. Citibank also controls defendants Buconero LLC, Vialattea LLC and Eureka Securitization Plc.

173. Defendant Buconero LLC (“Buconero”) is a Delaware limited liability company that was formed by Citigroup, Inc. and Citibank on or about December 9, 1999, with its principal place of business in New York. “Buconero” means “black hole” in Italian. Citigroup, Inc. owns Buconero. Buconero’s operations are overseen by Citibank Overseas Investment Corp., a Delaware corporation with its principal place of business in New York. Buconero was formed by Citigroup, Inc. and Citibank for the sole purpose of manipulating Parmalat’s financial statements and concealing from Parmalat investors the true nature of the financial arrangement between Citigroup, Inc. and Parmalat. Buconero is controlled by Citigroup, Inc. and Citibank, and its involvement in transactions with Parmalat entities was on the authority of, at the direction of, and for the benefit of Citigroup, Inc. and Citibank.

174. Defendant Vialattea LLC (“Vialattea”) is a Delaware limited liability company that was formed by Citigroup, Inc. and Citibank, with its principal place of business in New York. Citigroup, Inc. owns Vialattea. Vialattea is a wholly-owned subsidiary of Citibank Overseas Investment Corp. and is the direct parent of Buconero. Vialattea does not have offices or staff separate from Citibank. Vialattea was formed by Citigroup, Inc. and Citibank for the sole purpose of manipulating Parmalat’s financial statements and concealing from Parmalat

investors the true nature of the financial arrangement between Citigroup, Inc. and Parmalat. Citigroup, Inc. and Citibank control Vialattea, and Vialattea's involvement in transactions with Parmalat entities was on the authority of, at the direction of, and for the benefit of Citigroup, Inc. and Citibank.

175. Defendant Eureka Securitization Plc ("Eureka") is a United Kingdom public liability company with its principal place of business in England. Citigroup, Inc. owns Eureka. Eureka shares offices with Citibank's London Branch and is managed by Citibank as part of its global securitization business. Citigroup, Inc. and Citibank also provide credit lines and financial services to Eureka. Eureka was formed by Citigroup, Inc. and Citibank for the sole purpose of manipulating Parmalat's financial statements and concealing from Parmalat investors the true nature of the financial arrangement between Citigroup, Inc. and Parmalat. Citigroup, Inc. and Citibank control Eureka, and Eureka's involvement in transactions with Parmalat entities was on the authority of, at the direction of, and for the benefit of Citigroup, Inc. and Citibank.

176. Citigroup, Inc., Citibank, Buconero, Vialattea and Eureka are referred to collectively herein as "Citigroup."

177. Defendant Bank of America Corporation ("Bank of America Corp.") is an integrated financial services institution incorporated in Delaware with a principal place of business in North Carolina. Through its subsidiaries and divisions, Bank of America Corp. provides strategic and financial-advisory services in this District and in other locations throughout the United States and worldwide. Bank of America Corp. describes itself on its website as a "global financial services organization" with a "Global Network" and "Global Reach" that "help clients succeed on a global scale" because "wherever your business interests

take you, Bank of America is there.” Bank of America Corp. and its affiliates have offices in 30 countries across the U.S., Canada, Europe, Latin America, the Middle East and Africa.

178. As set forth below, Bank of America Corp. participated in a scheme to defraud and engaged in acts and a course of business that operated as a fraud or deceit upon purchasers of Parmalat securities. Bank of America Corp. directly and indirectly controlled and directed the acts of its subsidiaries, affiliates and employees, including Bank of America, N.A., Banc of America Securities LLC, Banc of America Securities Limited, Bank of America International, Ltd., Sala, Luzi and Moncada and, to the extent that Bank of America Corp.’s employees, subsidiaries and affiliates provided professional services relating to Parmalat, they did so on the authority of, at the direction of, and for the benefit of Bank of America Corp.

179. Defendant Bank of America, N.A. (“Bank of America, N.A.”) is a national Banking Association with branch offices in 21 states and the District of Columbia and a principal place of business in North Carolina. It is a wholly owned subsidiary of Bank of America Corp. and the successor to Bank of America National Trust & Savings Association. Bank of America, N.A. is the second largest United States commercial bank and has offices and branches throughout the United States and worldwide.

180. As set forth below, Bank of America, N.A. participated in a scheme to defraud and engaged in acts and a course of business that operated as a fraud and deceit upon purchasers of Parmalat securities. Bank of America, N.A. directly and indirectly controlled and directed the acts of its subsidiaries, affiliates and employees, including Banc of America Securities LLC, Banc of America Securities Limited, Bank of America International, Ltd., Luca Sala, Antonio Luzi and Luis Moncada and, to the extent that Bank of America, N.A. provided banking or other

professional services relating to Parmalat, it did so on the authority of, at the direction of, and for the benefit of Bank of America Corp.

181. Defendant Banc of America Securities Limited (“BoA Securities Ltd.”) is a limited liability company under the laws of the United Kingdom with its principal place of business in London, England. It is a wholly-owned subsidiary of Bank of America, N.A. and the successor to Bank of America International, Ltd. Bank of America Securities Ltd. is directly or indirectly controlled and directed by Bank of America Corp. and Bank of America, N.A., and its involvement in transactions with Parmalat entities was on the authority of, at the direction of, and for the benefit of Bank of America Corp. and Bank of America, N.A. BoA Securities Ltd. controlled the fraudulent conduct of Sala, Luzi and Moncada described more fully herein.

182. Bank of America Corp., Bank of America, N.A. and BoA Securities Ltd. are referred to collectively herein as “Bank of America.”

183. Prosecutors in Italy have requested the indictment of Sala, Luzi and Moncada for their involvement in manipulating the market of Parmalat securities, and the court in Milan has ordered Sala and Moncada to stand for trial in January 2005 for fraudulent accounting and financial reporting and market-rigging under a fast-track procedure.

184. Defendant Credit Suisse First Boston (“CSFB”) is a business unit of Zurich-based Credit Suisse Group, a global financial services company. CSFB maintains a United States subsidiary, Credit Suisse First Boston (USA), Inc., and its New York branch is one of its main worldwide branches. CSFB employs more than ten thousand people in the United States. Through its subsidiaries and divisions, CSFB provides strategic and financial advisory services in this District and in other locations in the United States and worldwide. As set forth below, CSFB participated in a scheme to defraud and engaged in acts and a course of business that

operated as a fraud or deceit upon purchasers of Parmalat securities. CSFB directly and indirectly controlled and directed the acts of its employees and subsidiaries that participated in the fraud and, to the extent CSFB's employees and subsidiaries provided professional services relating to Parmalat, they did so at the direction of, on authority of, and for the benefit of CSFB.

185. Defendant Banca Nazionale del Lavoro S.p.A. ("BNL") is an Italian banking conglomerate with branches in the U.S. and offices in New York and Chicago. It describes itself as ranking among the world's 100 largest banks. It was at the center of the money laundering scheme that occurred in connection with the Iran-Contra scandal of the 1980s. As set forth below, BNL participated in a scheme to defraud and engaged in acts and a course of conduct that operated as a fraud or deceit upon purchasers of Parmalat securities. BNL served as co-managing underwriter for Parmalat bond offerings during the Class Period. BNL acted through its subsidiary Ifitalia S.p.A. ("Ifitalia"), an Italian bank and factoring company engaged in the fraudulent factoring scheme described in detail below, and it controls and directs the acts of Ifitalia and its employees. All of the transactions by Ifitalia with Parmalat entities were conducted with the authority of, at the direction of, and for the benefit of BNL.

186. Citigroup, Bank of America, CSFB and BNL are referred to collectively herein as the "Bank Defendants."

187. Morgan Stanley & Co., a non-defendant third party, is an investment bank based in the United States. Morgan Stanley & Co. and its directly and indirectly owned and/or controlled subsidiaries are referred to collectively herein as "Morgan Stanley." Through its subsidiaries and divisions, Morgan Stanley provided strategic banking services to Parmalat, described more fully below.

188. Deutsche Bank AG, a non-defendant third party, is an integrated financial services institution that does significant banking business in the United States. Deutsche Bank AG and its directly and indirectly owned and/or controlled subsidiaries are referred to collectively as “Deutsche Bank.” Through its subsidiaries and divisions, Deutsche Bank provided strategic banking services to Parmalat, as described more fully below.

189. UBS AG (“UBS”), a non-defendant third party, is a global financial institution. It is incorporated and headquartered in Switzerland, and does significant banking business in the United States. Through its subsidiaries and divisions, UBS provided strategic banking services to Parmalat, as described more fully below.

The Law Firms

190. Defendant BBLP Pavia e Ansaldo (“Pavia”) is one of the largest law firms in Italy with over 160 lawyers, many of whom are admitted to practice in the United States. Zini worked as a lawyer in Pavia’s offices in Italy from about 1984 to 1997, when he left Italy to establish Pavia’s New York office where he served and worked as Pavia’s lead partner. Parmalat and its subsidiaries and affiliates were the major, if not the only, significant clients of Pavia’s New York office. Pavia closed its New York office in February 2001, when Zini established Zini & Associates, and all the lawyers and staff of Pavia became partners or employees of Zini & Associates.

191. Defendant Zini & Associates, P.C. (“Zini & Associates”) is a law firm based in New York City established in February 2001 by Zini. Upon the establishment of Zini & Associates, all of the lawyers and staff of Pavia became partners or employees of Zini & Associates. Zini & Associates served as Parmalat’s outside counsel during the Class Period, and also served as counsel to the Tanzi family controlled companies, including Parmatour and Coloniale. In fact, Parmalat and its affiliates, and Tanzi and Tanzi’s family companies, were the

only significant clients of Zini & Associates. According to the Bondi Report, the Chiaruttini report and various news reports, the New York office of Zini & Associates worked solely on Parmalat matters by, among other things, participating in the structuring of partnerships and/or creation of false documentation, which acts were perpetrated in order to conceal Parmalat's true financial condition and the true status of Parmalat's operations. Former Parmalat executives have identified this law firm as the center of the fraud.

192. Pavia and Zini & Associates are referred to collectively herein as the "Law Firm Defendants."

193. Defendant Gian Paolo Zini ("Zini") founded Pavia's New York office in 1997 and served as its lead partner until it became Zini & Associates, which Zini also founded, controlled and served as lead partner. Zini was indicted on May 26, 2004 for market rigging, fraudulent accounting and financial reporting, obstructing a market regulator and conspiring to issue false information to investors. Zini's assets have been seized pursuant to a June 21, 2004 order of the court in Parma. Former Parmalat executives have identified Zini as the "mastermind" behind the fraud and the offices of the Law Firm Defendants have been characterized as the "nerve center" of the fraud.

V. DEFENDANTS' FRAUDULENT SCHEME AND WRONGFUL COURSE OF CONDUCT

194. Throughout the Class Period, as set forth in paragraphs 134 through 763 below, Parmalat and the Individual Defendants provided the investing public with repeated affirmations about the tremendous success the Company was experiencing, while painting a very bright picture of Parmalat's future. Quarter after quarter, investors were greeted with higher reported revenues and earnings numbers from the Company. They were told that Parmalat was experiencing "significant growth" and a burgeoning asset base that could be used as a launching

point for further acquisitions. Parmalat used its purportedly growing profits and asset base to continue its “strategic program of acquisitions” -- a buying spree commenced before and continuing throughout the Class Period in which it amassed numerous businesses around the world. However, Parmalat’s aggressive growth was built upon a lie – its revenues and earnings, represented as continually besting those in the prior reporting period, were not only declining, the Company had, in fact, been losing money since 1984.

195. The healthy, viable Parmalat described in the Company’s financial statements and other public statements simply did not exist. Many of the businesses Parmalat acquired before and during the Class Period were turning out to be financial disasters and the Parmalat Group as a whole was experiencing significant operating and investment losses. Instead of disclosing to investors the Company’s troubles, the Individual Defendants, with the actual and active participation of its auditors, bankers, and lawyers, concocted an elaborate shell game to conceal them by utilizing a variety of improper practices, such as booking sales on non-existent transactions, fabricating assets, hiding the Company’s debt in off-shore special purpose entities, and understating the Company’s debt by falsely representing that it had repurchased and retired various debt securities.

196. The Bondi Report provides the following description of the fraudulent scheme:

To conceal the real financial conditions of the Group, and to artificially improve its economic profile, the majority shareholder [Tanzi], along with top managers and consultants, employed crude accounting operations resembling a system of “Chinese Boxes” whereby each box, represented by an off-shore financing company located in a tax haven, controlled the next sheltered off-shore company below.

* * *

Banks, often through shell companies created by the Parmalat Group in foreign tax havens, provided the Group with a continuous stream of cash – the condition necessary to keep the organization afloat beyond its natural ability to survive. In placing bonds on the marketplace, credit banks and business banks exploited the peculiar fiscal laws of the so called tax

havens: they directly provided the funds through highly-structured financial operations which, in themselves, abetted the Group in the fraudulent representation of its results. Among these operations we find those “disguised” as equity financings through the mechanism of participating associations (joint ventures), the promissory notes issued against future capital increases, and silent participating agreements offering a guaranteed exit to the financing partner. . . . The massive amounts of cash provided by those institutions, or through them, represent roughly 80% of the total.

197. Regardless of the device used, the end result was that Parmalat’s financial statements did not reflect reality. Indeed, because of the accounting trickery used by Parmalat and the Individual Defendants, which could not have succeeded without the active participation of the Auditor Defendants, Bank Defendants, Zini and the Zini law firm, among others, Parmalat’s financial statements illegally and improperly inflated reported earnings during the Class Period.

198. Parmalat included its false financial results in press releases and in its audited financial statements, including its year end financial statements for fiscal years 1998-2002 and its half-year reports for fiscal years 1998-2003, and in prospectuses and other offering materials for the issuance of its bonds. During these reporting periods and in the prospectuses, the Company and the Auditor Defendants represented that the financial information disseminated to investors was a fair statement of Parmalat’s financial results in accordance with applicable rules and law. As described below, the following schemes, actions and devices used by Parmalat, with the active participation of the other defendants, caused the financial information reported in Parmalat’s public filings and the prospectuses of the bonds (which are set forth in paragraphs 134 through 763 herein) disseminated during the Class Period, to be false and misleading.

A. Use of Special Purpose Entities to Record Fictitious Sales – the Evolution of Bonlat

1. The Scheme and Its Affect on the Financial Statements

199. As the centerpiece of their fraud, the defendants used offshore distributors, dealers or “nominee” entities to generate revenues and inflate the assets recorded on Parmalat’s consolidated balance sheet. Beginning as early as 1995, and continuing throughout the Class Period, Parmalat recorded fictitious sales to these wholly-owned nominees, which were subsidiaries with financial results consolidated on Parmalat’s books. The consolidated subsidiaries purportedly sold Parmalat’s products to generate the money to pay Parmalat for the non-existent sales. These nominees had no commercial activities, purposes or assets, but were created and used for the sole purpose of providing support for Parmalat’s accounting, through entries of sales (which had not actually occurred) and assets (which did not actually exist). As these transactions were between Parmalat and a consolidated entity, Parmalat was able to report the sales, but it also had to report the payment obligations of the subsidiaries. The defendants concocted a scheme to enable Parmalat to record the sales, but not the debt.

200. By 1995, Parmalat was losing about \$320 million a year in its South American operations alone. Tonna (Parmalat’s CFO) and Tanzi (Parmalat’s CEO), along with two Grant Thornton partners, Lorenzo Penca and Maurizio Bianchi, decided to camouflage the losses through the three shell companies: Curcastle N.V. (“Curcastle”), Zilpa N.V. (“Zilpa”) and Dancent N.V. (“Dancent”). Penca and Bianchi, acting as agents for, with the authority of, and for the benefit of, Grant Thornton International, designed a scheme to use Curcastle, Zilpa and Dancent and other shell entities to improperly remove debt off Parmalat’s consolidated financial statements and artificially inflate reported assets. The Grant Thornton partners helped form Zilpa one or two years after Curcastle was formed, incorporating Zilpa as a wholly-owned

subsidiary of Curcastle with the same address. Both of these entities were wholly-owned by Parmalat Netherlands N.V., which in turn was owned by Parmalat's Austrian unit, Parmalat Austria G.m.b.h. (formerly known as Gromig Beteiligungs G.m.b.h.), which in turn was wholly-owned by Parmalat S.p.A. The Grant Thornton partners also helped form Dancent and later Contal S.r.l. ("Contal"), incorporated in Italy.

201. The bogus sales transactions, improper accounting, and the removal of debt off Parmalat's consolidated financial statements typically involved several steps, beginning with Parmalat's issuance of false invoices to the Parmalat Group subsidiary (Curcastle, Zilpa, Dancent or Contal), and then charging costs, interest and other fees to make the invoice appear legitimate. Parmalat then recorded the amount of that invoice as an asset on its books. Parmalat provided the subsidiary with thirty days to pay the invoice, in part as an excuse to enter into a related transaction with various banks in order to receive payment for the non-existent sales.

202. When Parmalat issued the false invoice to the subsidiary, it also created a "discounted bill" representing the subsidiary's payment obligation to Parmalat. In an effort to get paid immediately (rather than in thirty days), Parmalat took the bills to various banks, and sold the bills (and the attendant right to the payments from the Parmalat Group subsidiary) to the banks, such as Citibank. The banks who paid Parmalat the amount of the invoice, less a discount rate (accounting for the present value of the bill which was due in thirty days) and bank fees.

203. The consolidated subsidiary (Curcastle, Zilpa, Dancent and Contal) never purchased any products from Parmalat that they could resell, so they had no funds to pay the bill which had been assigned to the bank. However, Parmalat loaned the consolidated subsidiary the money (received from the bank) to pay the bank. Parmalat recorded the transfer as an asset (an investment in the subsidiary), rather than as a loan, which it actually was.

204. At the end of the accounting period, Parmalat assigned the credit and attendant liability of the consolidated subsidiary (under the false invoice) to one of the non-consolidated subsidiaries (Rushmore, Kelton and Carital), and deleted the credit entry on Parmalat's books denoting the consolidated subsidiary's liability to Parmalat, while recording the same amount as an asset (a debt obligation owed by the non-consolidated subsidiary) to Parmalat. By assigning the consolidated subsidiary's liability to an off-balance sheet entity, Parmalat removed a liability from its consolidated financial statements, and treated its loan to its subsidiary (made with the funds received from the sale of the bills to the bank) as an investment by Parmalat in its consolidated subsidiary, and as an additional asset on Parmalat's books.

205. When Parmalat assigned the credit (and obligation to pay Parmalat) to the non-consolidated subsidiary, it simultaneously assigned to that entity Parmalat's liability to the bank (which had purchased the right to receive payment on the bills). Parmalat then deleted the entry for its liability to the bank and registered a new entry in the same amount as a liability it owed to the non-consolidated subsidiary (for assuming Parmalat's liability to the bank).

206. In this scheme, Parmalat's debt (to the bank) magically vanished. The liability of Parmalat to the non-consolidated subsidiary (for the assignment of Parmalat's liability to the bank) was offset by the liability of the non-consolidated subsidiary to Parmalat (based upon the false invoice and assigned from the consolidated subsidiary), resulting in those entries canceling to zero and vanishing from the books of the non-consolidated subsidiary.

207. The liability of the off-balance sheet entity (Rushmore, Kelton and Carital) to the banks was not reflected in the books of Parmalat or its consolidated subsidiary, nor was there any record of the consolidated subsidiary's liability to Parmalat for the sales which had purportedly been made.

208. In the end, although no sales were made in these transactions by Parmalat to its consolidated subsidiaries, Parmalat received huge amounts of money from the banks and recorded millions of dollars of additional assets on Parmalat's consolidated balance sheets. In actuality, as defendants well knew, those assets were loans, and the money loaned represented the proceeds of sales that were never made. Additionally, the Company purportedly sold products to its consolidated subsidiaries but did not record those subsidiaries' debt obligations to Parmalat. As a result of this scheme, Parmalat: (a) artificially boosted its revenues and profits, (b) improperly increased its liquid cash reserves, and (c) improperly decreased and misrepresented its debt on the Company's consolidated financial statements.

209. Beginning in 1999, Tanzi, Tonna, Zini, the Law Firm Defendants and Grant Thornton, who were the chief architects of this facet of Parmalat's fraudulent scheme, realized that their ability to conceal their ongoing fraud was jeopardized by accounting rules which required that Parmalat replace Grant Thornton with new auditors beginning with Parmalat's fiscal year 1999 audit. To continue their falsification of Parmalat's financial statements and keep the fraud concealed, these defendants, along with Deloitte, agreed that Grant Thornton would audit Parmalat's various consolidated subsidiaries, off-shore entities and SPEs that were central to the fraud, while Deloitte would audit and certify Parmalat's consolidated financial statements, as well as Parmalat's main operating subsidiary, Parmalat S.p.A., and various other Parmalat subsidiaries and affiliated companies. As explained in the Illinois Complaint, Deloitte and 32 of its member firms located around the world "joined in preparing and issuing the financial statements." In auditing the books of Parmalat and Parmalat S.p.A., Deloitte would rely upon the audits and certifications of Grant Thornton relating to the various Parmalat subsidiaries involved in the fraud.

210. The primary Parmalat entity audited by Grant Thornton and involved in the fraud was Bonlat, an entity specifically created and designed to take over the roles previously played by Curcastle, Zilpa, Dancent, Contal, Rushmore, Kelton and Carital in the fraudulent scheme.

211. Grant Thornton incorporated Bonlat through Caribbean Management Company, an overseas branch of Parmalat. When Bonlat was created, Parmalat transferred €1.5 billion (\$1.75 billion) in non-existent assets from Curcastle and Zilpa to Bonlat.

212. As Chiaruttini explained in one of her reports:

The transfer of credits from the corporations previously utilized (Curcastle and Zilpa, and then Rushmore, Kelton, Carital and Contal) was performed gradually until Bonlat became the only corporation used, while the other corporations were gradually emptied and abandoned.

213. Chiaruttini succinctly stated that “the false entries are supported by the transactions documents, valid on their face, but all false: Bonlat is used to produce such documents.”

214. Testimony provided by numerous individuals confirm the existence of this aspect of the scheme, the participants and the results on the financial statements of Parmalat and the Parmalat Group throughout the Class Period. As Marco Ghiringhelli, an auditor in PwC’s Milan office, explained to prosecutors on December 23, 2003, Parmalat’s use of the “fake” bills and receipts and “fictitious accounting data . . . enabled it to receive financing from the banks – financing that otherwise would have been difficult to obtain.”

215. Pessina provided information on the amount of money sent by Parmalat to its consolidated subsidiaries and improperly recorded as an investment. Pessina worked at Parmalat since 1979 and served as the Clients Accounting Manager since 1990, reporting directly to Tonna. Pessina stated in his January 14, 2004 interrogation:

For twenty years the Group received financing from the banks (at least 40 banks) issuing discounted bills for nonexistent accounts receivables.

Parmalat issued invoices to the retailers, but unrelated to the discounted bills. The discounted bills were a device to obtain undue advance by banks . . . about 1 billion Euros. . . . The scheme succeeded because Parmalat provided the retailers with the cash for the payment at the expiration date. . . . The annual amount of the discounted bills was about 7-8,000 billion Italian lire . . . although the amounts exceeded 6-8 times Parmalat's revenues . . . I believe that in Parmalat at least 300 people were informed of this scam.

216. Similarly, Del Soldato, who oversaw the internal accounting of Parmalat since 1992, and who served briefly as CFO beginning in November 2003 until his resignation less than a month later, conceded on January 20, 2004 that “[t]he issuance of discounted bills is a financing transaction used for several years. Tonna, Pessina and Gorreri organized it.”

217. Bocchi, an internal Parmalat accountant and assistant to Del Soldato, explained in his January 14, 2004 interrogation that “[t]he false discounted bills were registered in the balance sheet in the entry ‘accrued liabilities and deferred income.’ The bills were used to receive financing. Everyone knew. Gorreri and Trauzzi organized it. Pessina managed it.”

218. Chiaruttini summarized the scam in a report provided to the court in Milan as follows:

- Parmalat received payments for nonexistent credits;
- Parmalat issued invoices for significant amounts based on nonexistent credits to receive financing; [and]
- [Parmalat] assigned the same credits to factors and through securitization.

219. Bondi provided the following description in his June 2004 report:

The fake transactions posted in the “Liabilities” and “Assets” columns were later transferred or assigned to other inter-group companies located in “fiscal havens.” There, the fake profits were cashed-in, while the fake losses were invested in fictitious securities.

The archetypal company in this scheme was Bonlat (from 1999), preceded before that time by Curcastle SA and Zilpa SA. . . .The fake entries gave

origin to an overvaluation of the Group's performance, and to an undervaluation of its losses.

220. Tonna has admitted that Bonlat's assets were invented and that its books and records, and its account statements for a non-existent bank account, were fabricated as well. Tonna described the genesis and use of Bonlat to Italian authorities on December 23, 2003 as follows:

In fact, when in 1998 we hired another auditor in the normally required auditing cycle, I had several meetings with both individuals [Penca and Bianchi] because we needed to solve the problem posed by the Antilles companies Curcastle and Zilpa, which, up to that point, had performed the same functions that Bonlat was later to perform – that is, they were used to unload the group's losses. Let me state that “unloading the losses” meant also and especially adjusting the balance sheets of the various companies.

221. Tonna also described Grant Thornton's role in creating Bonlat:

Penca and Bianchi told me that the situation was indefensible, and that the new auditing firm, upon discovering the problem, would have certainly refused certification. **Thus they suggested shifting these anomalous situations to a new company to be audited by [Grant Thornton]. On my request they took on the obligation to constitute this new company which is, in fact, Bonlat. I believe that GT, in suggesting this solution, was trying especially to insulate itself from the cover which it had provided over the years to all of our illicit conduct.**

I believe that the total volume in the Curcastle and Zilpa activities, if memory serves me well, was, in 1998, about 1.5 billion Euros which were thus passed on to Bonlat, as I will explain later.

222. Again, in his January 5, 2004 interrogation, Tonna stated that Grant Thornton was intimately involved in the creation of the shell companies used to improperly boost Parmalat's revenues and profits as a result of this scheme:

The decision to use Curcastle to conceal the losses of the [Parmalat] Group was made by me and Calisto Tanzi jointly with the auditors at Grant Thornton, in particular Penca and ... Bianchi.

* * *

Lorenzo Penca and I think Maurizio Bianchi agreed with us to use Curcastle to conceal the Group's losses as it was based in a tax haven where the regulation of the balance sheets was much more lax.

223. Tonna told prosecutors that "Bonlat . . . had its origins in colloquies' with the auditors of Grant Thornton" who "asked us to give them authority to audit Bonlat . . . so they could continue to certify the balance sheets notwithstanding their knowledge of the falsifications in them."

224. Bocchi described to Italian prosecutors on February 6, 2004 a conversation in 2000 involving Bocchi, Tonna, and Penca and Bianchi of Grant Thornton in which they discussed falsifying Parmalat's accounts using Bonlat. While Bocchi was "reticent" to engage in such discussions with Penca and Bianchi, Tonna told him "to speak openly because the two auditors knew about the issues."

225. The Law Firm Defendants were also involved in devising the scheme to use Bonlat to hide Parmalat's losses. In fact, as Bocchi stated in his December 20, 2003 interrogation, in one invoice alone Zini & Associates billed Parmalat 1 million euros for services related to Bonlat.

226. Tonna explained in his December 23, 2003 interrogation the purpose of this scheme:

Both the Curcastle/Zilpa, and Bonlat systems served essentially two purposes:

- 1) To sustain the value of the stock – to sustain the balance sheets for the purpose of maintaining the stock's listed value, and to maintain an open door to the capital markets (bonds);
- 2) To hide the diversion of funds in favor of Tanzi.

The financial problems of the Parmalat group began around 1998-99 when poor earnings in South America weighed heavily on the group. To this, we must also add the hole created by the diversion of funds, in cash, made in favor of the Tanzi family.

The balance sheets of the Parmalat group, and in particular of Parmalat Finanziaria S.p.A., has always closed the books in the black.

227. Bocchi provided similar testimony in his January 20, 2004 interrogation by authorities, when he stated:

Upon request by Chiaruttini to explain the concealment of losses through Curcastle and Zilpa, I specify:

As I already mentioned, Curcastle was used before Bonlat to conceal the losses of Parmalat Group (with fictitious transactions) the “Bonlat” hole, as inherited by Curcastle, may be more than 1 billion Euros. I can say the same about Zilpa.

228. As Bocchi explained in his December 22, 2003 interview with Italian authorities, Bonlat was formed to hide accounting entries that could not be justified, and to hide losses that, if reported, would have prevented the Company from obtaining funds in the capital markets through bond offerings:

I must say that from the onset it [Bonlat] was filled with un-collectible credits inherited from different intra-group companies based in the Antilles (Curcastle and Zilpa) which had operated in the preceding years as Bonlat later did. Obviously, the similarity in the operations refers to the functions discharged by these two entities: their modes of operation were different. The fact remains that from the onset, the credits owned by the Antilles-based companies amounted to over \$1 billion. Thus, the birth of Bonlat coincided with the need to close certain accounting entries that could no longer be justified. Tonna communicated this decision to me. The two Antilles-based companies had some bank accounts in Curacao. I know no more.

After the initial transfers [from Curcastle and Zilpa] to Bonlat, it became necessary to justify such transfers in the accounting books. Later, it also became necessary to falsify the banking documentation [used to support the transfer of credits]. Also, once the transfers were made, it became necessary to make the “stew” – a technique that I shall describe tomorrow in detail. In addition, in time it became necessary that Bonlat “contribute” to the health of the Group as I described in my preceding deposition. Bonlat’s activities grew, as the papers demonstrate, because management never cared either to devalue [the Group as a result of the losses], or to face the losses. In fact, the rationale offered was that Parmalat, being a listed company, should be propped up in the value of its stock. At the same time, a consolidated balance sheet stating even only partially that the

Group was incurring losses, would have denied to the Group access to capital from banks and from the bonds markets.

229. Pessina, Parmalat's long-time Clients Accounting Manager, told Italian prosecutors on December 22, 2004, that he and Bocchi:

both knew for some time that the majority of the Bonlat accounting documents were falsified. I say this because we spoke of it frequently, above all, when the financial condition of the company worsened considerably. Additionally, the contradiction of a lack of liquidity in Parmalat and excess liquidity in Bonlat seemed obvious.

230. According to the Amended Complaint filed by the SEC based upon its investigation of the fraud:

By the end of 2001, the amount of valueless assets recorded by Bonlat had grown to approximately \$2.0 billion. By the end of 2002, this number had grown to approximately \$7.0 billion. Thus, during 2002 alone, approximately \$5.0 billion in operating losses and worthless assets were hidden in this fraudulent structure alone and Parmalat S.p.A.'s pretax net earnings were overstated by a like amount. By September 2003, Bonlat's unsubstantiated assets had risen even higher and totaled €8.6 billion (\$9.97 billion).

231. According to a Chiaruttini report, the total amount of the discounted bills was €2.947 billion in 2002 and €3.018 billion in 2003. The discounted bills recorded in the entry "accrued liabilities and deferred income" in Parmalat's balance sheet amounted to €11.1 million.

2. The Fictitious Bank of America Bonlat Account

232. Between 1999 and 2002, Bonlat's share of Parmalat's assets rose from 22% to 40%, and by the end of 2002, Bonlat purported to have a \$4.9 billion account at Bank of America. Grant Thornton, in its role as auditor of Bonlat and knowing full well the entity's role, performed the superficial function of drafting a request dated December 20, 2002, to be sent to Bank of America, requesting verification of the bank balance, but Grant Thornton never sent the

request. Instead, Grant Thornton accepted from Parmalat a letter dated March 26, 2003 purportedly from Bank of America certifying the existence of the Bonlat account.

233. As explained in Bondi's Illinois Complaint against Grant Thornton and other defendants, that letter was a "crude forgery" crafted by Bocchi, who:

cut out Bank of America's logo, scanned it in a computer, printed it out and passed it through a fax machine several times. The letter bore the signature of a Bank of America employee who worked as a data processor and lived in Brooklyn. The signature was taken from old documents bearing her name.

234. Bocchi described to Italian prosecutors on December 22, 2003 his role in creating the forged documents:

I was the one who proceeded with the falsifications. As to the letterheads, I had arranged that the bank's logo be scanned from an original document. Regarding Bank of America's fax numbers on certain documents – fax numbers that needed to appear on the documents to provide the impression that the documents had indeed been sent from the bank itself – I used to print such numbers first with a regular computer printer, then I would photocopy several times the documents with the fax number displayed on it. I would like to point out that it was Tonna who asked me to try to falsify the documents

235. Pessina told prosecutors on December 23, 2003 that he "kn[e]w that the Bonlat bank statements were systematically falsified."

236. Likewise, Luciano Del Soldato, former Chief Accounting Officer, CFO and a Director of Parmalat, admitted to prosecutors on December 22, 2003 that "non-existent credits" were transferred to Bonlat and, as a result, "[a]ll of Bonlat's assets and liabilities are non-existent" and "all of the transactions on the Bank of America account are false."

237. As Bianchi and Penca of Grant Thornton and numerous Parmalat executives knew, and as investors would later discover, the \$4.9 billion bank account was pure fiction.

238. Chiaruttini found, upon review of the Company's documents, that the "fictitious Bank of America checking account was used [t]o delete the accounting entries created in

past years in favor of the subsidiaries (e.g. the revenues of Rushmore . . .).” She also described the effect of this aspect of the fraud: “on the one hand the liquidity created in the bank account of Bank of America (arising out of fictitious sales of powdered milk, the transfer of money to individuals of the Tanzi family and of the intercompany credits) decreased; additionally, the liability to the bondholders conspicuously decreased.”

B. Fictitious Sales of Powdered Milk to Cuba

239. Beyond simply creating \$4.9 billion out of thin air, Parmalat, Parmalat executives and the Company’s auditors and lawyers used Bonlat as a vehicle for Parmalat reporting millions of dollars of sales of powdered milk to a company in Cuba, although those sales never actually occurred.

240. With the participation of Grant Thornton, Parmalat established Camfield Pte. Ltd. (“Camfield”), a Singapore-based holding company that was controlled by Tanzi, Tonna and others and had ties to Grant Thornton.

241. Camfield’s chief executive officer was listed as Angelo Ugolotti (“Ugolotti”), a switchboard operator at Parmalat headquarters who – most strangely – claims that he has never even heard of Camfield. Ugolotti was unknowingly named CEO by Tonna, Tanzi and Zini to create the illusion of the entity’s legitimacy. According to a January 26, 2004 article in *The Wall Street Journal*, Ugolotti was the named CEO of numerous other Parmalat subsidiaries and Tanzi entities. According to the article:

Public documents in Italy and elsewhere list [Ugolotti] as the administrator and sometimes owner of 25 to 30 Italian and foreign companies, including several at the heart of Parma prosecutors’ investigation. . . . But through his lawyers, Mr. Ugolotti insists he has never even heard of most of the companies. The lawyers concede that he participated in activities related to some of the companies, but say that in such cases, he was merely carrying out orders.

242. In addition to Ugolotti, defendant Pessina was listed as one of Camfield's two directors and signed the company's most recent financial reports.

243. The Camfield shell occupied Grant Thornton offices, shared Grant Thornton employees, and merely served as a mail drop for Parmalat. Camfield's purported address was the same as Grant Thornton's Singapore affiliate, Foo Kan Tan Grant Thornton ("GT Singapore"). Camfield's company secretary, Lawrence Kwan, is an employee Kon Choon Kooi, of an affiliate of GT Singapore. He acknowledged that he had no purpose other than to act as a mail drop in Singapore and that all documents and notices were simply forwarded directly to Parmalat in Italy.

244. At the end of 1999, in order to meet earnings projections, Bonlat claimed to have sold 300,000 tons of milk worth \$620 million to Empresa Cubana Importadora de Alimentos ("Empresa"), a Cuban state-owned importer, through Camfield.

245. Despite the fact that Bonlat was a financing company which conducted no operations, it reported that it had "acquired" milk from Camfield and then resold the non-existent milk to the Cuban importer. Thereafter, Bonlat's financial statements reflected a sale and corresponding receivable from Empresa. The credit due from Camfield was carried on Bonlat's balance sheet as an asset to be paid off later, but as defendants knew, the payoff would be made with imaginary cash.

246. As reported in a December 29, 2003 *Forbes* article, the President of Empresa also confirmed that the gigantic milk sale never occurred, noting that while the Cuban company does have a contract with Parmalat's Chilean operation for \$700,000 per month worth of powdered milk (around 7,000-8,000 tons of milk annually), had it purchased the amount of milk claimed by

Parmalat (300,000 tons), Cuba would be “swimming in milk,” as it would have purchased almost 60 gallons of milk annually for every person in Cuba.

247. In reality, there was no “sale” of milk to Empresa. The transaction never took place. As Bocchi admitted in his December 2003 deposition, “Camfield was in reality an empty box even though it fictitiously invoiced powdered milk for very many millions.” This transaction was invented in order to overstate Camfield’s and Bonlat’s financial statements and, in turn, Parmalat’s revenues and assets by \$620 million.

248. As Chiaruttini stated in one of her reports:

Bonlat was an intermediary between Camfield (the supplier) and the purchaser Dancent, headquartered in the Virgin Islands, until the year 2000 and Empresa Cubana Importadora, incorporated in Cuba, for the subsequent period. The supplier corporation was incorporated in Singapore, but the transactions with Bonlat were not registered in its balance sheet.

249. In order to provide superficial evidence of the transaction, Bocchi prepared standard contract forms for the purchases and sales, signed by Tonna on behalf of Bonlat and by Tonna (using fake signatures) on behalf of Camfield and Empresa. As stated by Bocchi when interviewed by Italian authorities on December 22, 2003:

Beginning in 1999-2000, Tonna invented the whole commercial operation involving the sale of powder milk to Cuba. This evidently served to increase the invoicing and thus to create fictitious profits. If memory serves me well, we invoiced a company named Impresa Emportadora Cubana. In the beginning years, the amounts were somewhat significant: few contracts involved high amounts (\$25-30 million per contract). I prepared all the standard drafts for both the purchases and sales. **We purchased fictitiously from Camfield in Singapore** (in the beginning I believed that this was a company outside of the Group, but later I learned that it was connected to Parmalat since Pessina was on its Board). **Then we sold, always fictitiously, to the Cuban company.** Tonna would sign the contracts twice as agent of both Bonlat and Camfield, and once more, apocryphally, on behalf of the Cuban Enterprise. When Tonna left as administrator of Bonlat, Del Soldato did not want to become its new administrator, and BONICI

assumed that duty. Thus, the contract formation of which I am talking about underwent the following variation:

Del Soldato would sign apocryphally on behalf of Camfield and on behalf of the Cuban Enterprise; BONICI, and sometimes Pessina, would sign their own names on behalf of Bonlat. Thus, along with the contract, I prepared the accounting entries which I later transferred to Excel, while I provided the same entries, but on paper, to Pessina, who, in turn, recorded the items in the computerized accounting system that was used in the consolidation of the Group's operating results. I remember telling Tonna: "We are exaggerating with this powdered milk for Cuba, they will have it up to their heads."

250. During the continuation of the interrogation conducted on December 23, 2003,

Bocchi admitted to his role in creating the fake documentation for the milk sales:

[speaking of forged documentation]. . . it was necessary to show credits that appeared to be collectible. For example, I will go back to the Camfield—Bonlat—Impresa Emportadora Cubana case. As I explained last night, if Camfield sold powdered milk to Bonlat and Bonlat in turn resold it to the Cuban company, and if, as I already stated, the entire operation were wholly fictitious, obviously Emportadora Cubana would never pay the invoice on a fictitious transaction. But the credit created through this [fake] transaction needed to be satisfied. Thus, it was necessary to provide the appearance that the amounts invoiced were paid (under the example I just illustrated). This was the stroke of genius that led to the invention of an account (the one in existence with Bank of America), into which flowed these so called "proceeds." Operations similar to this were carried out mostly through swap instruments.

251. Del Soldato on December 22, 2003 admitted to prosecutors that the milk sales were false and described his role in this scheme:

The transactions related to the purchase of powdered milk between Camfield, a Singapore entity, and a Cuban entity are all false. In particular, Camfield is an empty box. ...I signed the contracts on behalf of the parties contracting with Bonlat. I forged signatures copying the signatures of the agreements executed prior to 2003.

252. Pessina admitted to his knowledge "of the falsification of all of the contracts of sale for Camfield/Empresa Emportadora Cubana," stating:

I admit that I was always aware of the falsification of those contracts of sale. I was well aware of the total inactivity of Camfield, of which I was

also a member of the board of directors . . . At Parmalat there was never a copy of the accounting from Camfield. When I signed the balance sheets and the minutes of the board, I just retransmitted them by fax to DHL [a courier] of Singapore. Additionally, the above described transactions don't even appear on the Camfield balance sheets. I assume that, from what I know, they did not even prepare false invoices. In any case, they were not taken into account in the preparation of the Camfield balance sheets. As far as I know the invoices for the local business consultants were entered in the Camfield invoices.

253. Individuals have provided testimony regarding Deloitte's complicity in this scheme. On February 6, 2004, Bocchi described Deloitte's concerns about the milk sale transactions. Bocchi stated:

With respect to Camfield, D&T voiced concerns because one of our employees was a director and they [Deloitte] wanted to see the balance sheet. We resolved the issue relating to the director, which qualified the corporation as a related corporation, by replacing him [the director]; thus, D&T was satisfied.

According to Bocchi, Deloitte also requested copies of documents evidencing the powdered milk sales, such as freight and customs documents, but apparently never followed through on these inquiries, despite never receiving such back-up documentation.

254. Chiaruttini concluded that "[t]he business of powdered milk [fictitious sales to Empresa] allowed Parmalat to maintain the EBITDA and EBIT and to enhance the financial situation of the Group." In fact, as a result of Bonlat's recording of the fictitious milk sales to Empresa, Parmalat overstated its revenues and assets by \$620 million in 1999.

C. Buconero – The Black Hole

255. Another SPE created and used by Parmalat and other defendants to conceal Parmalat's financial problems and artificially improve its balance sheet was Buconero, LLC, a name which means "black hole" in Italian. This entity was a Delaware limited liability company created on or about December 9, 1999 by Citigroup and Zini (acting as agent for, on behalf of,

and for the benefit of Pavia), and owned and controlled by Citigroup. Citigroup earned millions of dollars for its role in structuring transactions with Buconero.

256. Buconero was created and designed by Citigroup for the express purpose of hiding Parmalat debt by improperly treating loans to Parmalat as equity investments.

257. Prior to the creation of Buconero, Citibank was already participating with Parmalat to commit fraud. Geslat, a Parmalat subsidiary, and Citibank International Plc (“Citibank International”) entered into a joint venture on December 29, 1995. Citibank proposed the joint venture and the means to pump up Parmalat’s assets.

258. In a July 1995 presentation entitled “Structured Equity Investment Solutions Association in Participation,” Citibank proposed the following:

Parmalat establishes a special purpose vehicle.

The special purpose vehicle establishes a Swiss branch, “to avoid the Application of Italian Withholding taxes.”

Citibank invests in the foreign branch under an Associazione in Partecipazione (“Participation Agreement” or “joint venture agreement”).

Parmalat enters into a put option agreement with Citibank. The strike price for the put option is computed to allow Citibank to “obtain from its Investment a Predetermined Rate of Return (“Gross Return”).”

The special purpose vehicle and its foreign branch use the proceeds to make intercompany loans to other companies in the Parmalat group. Citibank receives a proportional share of the profits made by the special purpose vehicle and the foreign branch from the intercompany loans.

259. As explained in the New Jersey Complaint filed by Bondi on behalf of the Company:

The 1995 joint venture agreement provided that Citibank International would “invest” in the joint venture. Allesandro Rombelli, an assistant director at Citibank International and Alberto Ferraris, then a vice president at Citibank, signed the agreement for Citibank. Fausto Tonna (Parmalat’s former CFO) signed the agreement for Parmalat.

As part of the joint venture, Parmalat set up a branch of Geslat in Lugano, Switzerland. Its purpose was to obtain funds in Switzerland from the international financial markets and to then invest these funds in other companies in the Parmalat group.

Citibank “invested” 750 million lire (about \$491,604) in Geslat. In return Citibank was to receive approximately 48.75% of the distributable after tax profits from Geslat.

Citibank also entered into a put option agreement with Parmalat that allowed Citibank to put its interest in Geslat back to Parmalat. The put guaranteed that Citibank would receive a return on its investment.

260. In 1999, Citibank proposed a new transaction whereby, rather than have Citibank serve as a direct partner with Geslat, defendant Vialattea LLC and defendant Buconero, both Citibank subsidiaries, would become members of the joint venture. Both subsidiaries were formed by Citibank on December 9, 1999 for the sole purpose of entering into the transaction and improperly boosting Parmalat’s assets on its balance sheet. Defendants Vialattea and Buconero made these investments as agents for and with the authority of Citibank; in short, Vialattea and Buconero entered those transactions under directions from Citibank and for the benefit of Citibank.

261. Pursuant to an agreement between Geslat, Parmalat and Buconero on December 16, 1999, Parmalat, as a “partner,” made a \$60 million contribution to Geslat’s Swiss branch (the “Swiss branch”), and Parmalat on the same day transferred its interest to Buconero for the same amount.

262. The Swiss branch used the \$60 million to pump up Parmalat’s balance sheet, by lending that money to other companies in the Parmalat Group, and then having Parmalat record the amounts as equity.

263. Under this new deal, Buconero as a “joining partner” would share the profits of the Swiss branch based on a present formula and would share the Swiss branch’s losses up to the amount of Buconero’s investment.

264. The New Jersey Complaint describes the amounts received by Geslat and Buconero for their role in the scheme, and the millions earned by Citibank:

Under Article 7.11 of the agreement, Geslat’s Swiss branch would “endeavor to earn a pre-tax return on its invested capital of no less than 5.68% per [year] net of all the costs and expenses (the ‘Minimum Investment Return’).”

In addition to the “investment” by Buconero, Vialattea “contributed” approximately \$208,000 to Geslat (2% of Geslat’s capital).

For structuring the transaction, Parmalat paid Citibank a structuring fee of \$1 million.

On December 18, 2000, the joint venture agreement was amended. Among other modifications, the provisions regarding the calculation of compensation due to Buconero were changed and the Minimum Investment Return was increased to 5.86%.

For this Parmalat paid Citibank another structuring fee of \$3.27 million.

The joint venture agreement was modified again on July 31, 2001. As part of the amendment, Buconero “invested” an additional \$50 million in Geslat’s Swiss branch and Vialattea “invested” an additional \$2.4 million in Geslat, raising its share of Geslat’s capital to 2.044%.

For this Parmalat paid Citibank another structuring fee of \$2.8 million.

265. Unbeknownst to investors, the “investments” by Buconero (made on behalf of and for the benefit of Citibank), which Parmalat recorded as equity on its balance sheet, were a Citibank loan to Parmalat. As Citibank knew that Parmalat would falsely treat the loans as equity investments, Citibank provided the loans at rates far below those the Company would have paid in an arms-length bank credit agreement or if the Company had obtained financing through issuances of debt securities. But with Citibank’s (and Citigroup’s) knowledge, Parmalat

falsely recorded the interest payments on the loans from Buconero as “minority interest payments.”

266. The Buconero black hole enabled Parmalat to dramatically reduce its financing costs and to funnel funds to other companies within the Parmalat Group. Through this facet of the fraud, Citibank and other defendants concealed the huge losses the Company was experiencing in its worldwide operations, particularly those in South America.

267. The existence of Buconero was never adequately or accurately disclosed to investors. Even until November 2003, Parmalat falsely portrayed the nature of the financing vehicle. Specifically, in a Parmalat press release dated November 21, 2003, which Citigroup approved, Parmalat described the Buconero transaction:

The transaction allowed a major international Group to participate in and contribute to the development of the Parmalat Group business as a partner. Notably, in 1999, a five year Business Plan was subscribed to that regulated the development of the company business and of the branch office in [Lugano].

* * *

The 2002 financial year profit owed to partner Buconero LLC was [\$3.6 million], with a yield therefore of 3.08% with respect to the contribution of [\$117 million].

The background notes to the consolidated [financial statement] under the item “Shareholders’ Equity Owed to Third Parties” specifies that under the item Capital and reserves owed to third parties, a calculation was made for the contribution of funds derived from a joint venture contract stipulated by an enterprise included in the consolidated holdings as an associate, with a third backer as a partner.

268. As Chiaruttini concluded in a detailed report, “[t]he revenues arising out of the Geslat transaction/Buconero . . . have been registered in the entry ‘minority interest in shareholders’ equity’ in the consolidated balance sheet of [Parmalat]. Since the real nature of

this transaction is a financing . . . the amount of financing arising out of such transaction should have been recorded as debt instead of as shareholder equity.”

269. As a result of the improper accounting involving Buconero, Parmalat’s debt was understated by \$137 million, its equity was overstated by \$137 million and its income statements understated its interest expense.

D. Parmalat’s and Citigroup’s Double Billing And Securitization Scheme

270. In addition to creating wholly fictitious transactions, Parmalat also materially overstated its assets, revenues and income during the Class Period by employing a double-billing scheme in the Company’s milk distribution business which enabled the Company to obtain billions of dollars in bank credit secured by non-existent receivables. This scheme could not have been implemented without the knowledge and participation of Citigroup.

271. In Italy, Parmalat sold its food products through a network of at least 33 Tanzi-controlled distributors and franchises which were owned or controlled by Cantal and other Parmalat affiliates. As Del Soldato stated in his January 16, 2004 deposition in Parma, “[t]he franchisee network was an artifice to receive cash advance on the same invoice twice.”

272. Both before and throughout the Class Period, Parmalat issued duplicate invoices to Tanzi family distributors and franchisees and to hundreds of supermarkets in Italy, in each case for the same goods. The duplicate invoices were then used to book non-existent sales and to record bogus receivables on Parmalat’s balance sheet. In turn, Parmalat used these extra invoices to obtain liquidity (in the form of credit) from banks backed by the fictitious invoices. Pessina stated in his January 14, 2004 interrogation that “the accounts receivables for deposit in the banks were not tied to any invoices and constituted sheer artifice used to obtain cash advances from banks.”

273. In 1994, Parmalat asked Citibank and other financial institutions to structure a securitization program for Parmalat's receivables which were received from Tanzi-controlled distributors and franchisees, and Citigroup responded with a scheme to sell the phony receivables. As part of this scheme, from 1995 forward, Parmalat obtained \$348 million of funding from Citibank, backed by what Citibank (and Citigroup) knew to be false double billings by Parmalat, through Eureka Securitization Plc ("Eureka"), a Citigroup finance company.

274. According to the New Jersey Complaint, by letter dated October 24, 1994, Veronique Traush and Alberto Ferraris, then vice-presidents of Citibank, proposed that Parmalat sell its invoices for goods sold to Archimede Securitization S.r.l. ("Archimede"), a wholly-owned Italian subsidiary of Citibank's special purpose entity, defendant Eureka.

275. As explained in a Chiaruttini report, Eureka was formed to finance the transactions through two wholly-owned subsidiaries: Eureka Securitization Inc., incorporated in Delaware, which issued securities in the United States, and Eureka EMTN Funding PLC, a United Kingdom corporation, which issued medium-term securities on United States and European markets. Eureka, the parent company, incorporated Archimede Securitization S.r.l., an Italian subsidiary, to execute the transaction with Parmalat and Citibank.

276. On July 19, 1995, Parmalat and its subsidiary Giglio S.p.A. ("Giglio") entered into a securitization agreement for the purchase of receivables by Archimede and Citibank (the "1995 Agreement"). Citibank designed the agreement and counseled Parmalat on its role and expected return for its participation.

277. Under the 1995 Agreement, Parmalat and Giglio would sell receivables up to 150 billion lire (approximately \$93 million) to Archimede on a revolving basis. Archimede would

purchase the receivables using funds raised by Eureka. Archimede would then use the invoices as collateral for the sale of securities to private investors in the United States and elsewhere.

278. Citibank not only structured the securitization scheme and controlled parties who were direct participants, it also actively managed the scheme and had ongoing knowledge of the nature of the double billing. According to the New Jersey Complaint, as part of the program, Citibank installed its own proprietary software, called Enigma, on Parmalat's computer network. The software allowed Citibank to determine which receivables were eligible for the securitization program and to regularly audit Parmalat's sales.

279. Citibank managed the Parmalat securitization program on behalf of Archimede and later Eureka. As Pessina has stated, Citibank had complete and detailed knowledge of Parmalat's methods of invoicing since the beginning of the relationship.

280. Under Citibank's control, the program grew concomitantly with Parmalat's increasing need for "below the line" capital infusions.

281. In the summer of 1999, Parmalat asked Citibank to expand the program to include receivables from operations in Canada and the United States and to add five more Italian subsidiaries to the program.

282. The new structure was worked out between defendant Tonna and Paolo Botta of Citibank after Citibank completed "due diligence."

283. As explained in the New Jersey Complaint, on September 21, 1999, Richard Simmons, a Managing Director at Citibank, and Sergio Ungaro, a Market Manager at Citibank, wrote to Tonna accepting Parmalat's request to expand the securitization program. The September 21 letter provided that:

Citibank shall use all reasonable efforts to provide the following services:

i. perform a three to five days business review of the receivable portfolio and the receivables cycle as well as a review of Parmalat's credit and collection policy and procedures.

ii. structure the transaction by defining the eligibility criteria for the receivables, the purchasing frequency and the level of reserves.

284. On March 16, 2000, additional Parmalat subsidiaries were added to the receivables program, including Centrale del Latte di Roma S.p.A., Eurolat S.p.A., Lactis S.p.A., and Boschi Luigi & Figli S.p.A. (on March 16, 2000), Parmalat's Canadian subsidiaries Parmalat Dairy & Bakery Inc. (formerly Beatrice Foods Inc.) and Parmalat Food, Inc. (on March 31, 2000), and two Parmalat U.S. subsidiaries – Farmland Dairies LLC and Milk Products of Alabama LLC (on November 23, 2000) (collectively, the “2000 agreement”).

285. Under the 2000 agreement, Parmalat sold receivables from its U.S. and Canadian operations to Eureka and sold receivables from its Italian operations to Archimede.

286. Eureka raised funds on the market both for itself and for Archimede to purchase receivables from Parmalat and its subsidiaries.

287. Parmalat's Curcastle subsidiary purchased subordinated notes issued by Eureka as a partial guarantee for the securitized receivables. The subordinated notes served as a form of a credit enhancement to improve the creditworthiness of the securitized portfolio. This credit enhancement was necessary to maintain Eureka's credit rating. The subordinated notes were issued proportionately to the amount of receivables transferred to Eureka. These notes were repayable only when all of the receivables sold by Parmalat had been repaid, including expenses and interest.

288. The 2000 agreement was initially subject to a global maximum of \$300 million in total securitized receivables. On December 19, 2001, two more U.S. entities (Mother's Cake and

Cookies Co. and Archway Cookies LLC) were added to the program, and the global maximum was increased to \$340 million.

289. Parmalat sold receivables to Eureka and/or Archimede through the securitization program from March 2000 until November 2003. Archimede bought the maximum amount of receivables permissible under the agreements.

290. Pessina described this aspect of the fraud in his January 14, 2004 interrogation:

[T]he invoices issued to the franchisees as well as those issued to the supermarkets were assigned to Archimede of Citicorp Group at the end of the securitization, without evidencing any existence of the credit notes I maintain that at least since 1995, when the first series of credit transfers were arranged, the bank representatives were completely aware of our invoicing system which has been the same for at least 40 years, including the bookkeeping mechanism of the credit notes transfer to the franchisees. I say this because Citibank performed due diligence that assessed the details of Parmalat's invoicing functions.

291. According to Pessina (in his December 22, 2003 interrogation), "Curcastle's Italian bank account was used to pass through the interest profit from the securitization with Citibank in euros, U.S. and Canadian dollars."

292. As Chiaruttini concluded in one of her reports provided to the court in Milan, "such information [in Parmalat's consolidated balance sheets relating to the Company's securitization transactions] is absolutely misleading, since it describes the transactions differently from their real nature and characteristics." She concluded that "the use of the word 'securitization' . . . misleads the reader of the balance sheet" because it "induce[s] [the reader] to believe that such credits were 'good' and paid when they were not."

293. Through the double-billing and subsequent Eureka securitization program, Parmalat overstated its assets, revenues and income throughout the Class Period, and obtained \$348 million of funding from Citigroup alone (in addition to funds received from other banks)

which were backed by the phony receivables. As a result, Parmalat falsely represented and overstated its cash flow from operations and concealed its weakening financial condition.

294. PwC auditors Franco Lagro and Marco Ghiringhelli concluded (in their December 23, 2003 report to prosecutors in Parma) that “Parmalat S.p.A., thanks to this systematic assignment of credits to Eureka, received financing from the latter for roughly €280 million.”

E. Stale Invoices Used In Factoring Scheme With BNL

295. Just as Parmalat and the Individual Defendants securitized duplicate Parmalat invoices to obtain bank financing, they used old or stale invoices which had been paid long ago to raise additional funds for Parmalat in factoring transactions. These defendants entered this scheme, with the knowledge and participation of BNL, allowing BNL to reap substantial and risk-free profits. Beginning in December 1999 and continuing throughout the Class Period, Parmalat recycled invoices for non-existent receivables in factoring arrangements with banks and factoring companies, particularly BNL, which conducted and directed these transactions through Ifitalia, BNL’s factoring arm. BNL is a banking conglomerate with substantial operations in the United States, including offices in New York and Chicago, and it owns 99.6% of Ifitalia.

296. BNL is the same bank that was at the center of the money laundering that took place as part of the Iran-Contra scandal in the 1980s.

297. BNL, through Ifitalia, served as the lead company of a syndicate of banks and factoring companies which provided liquidity to Parmalat based upon stale invoices and non-existent receivables. In the factoring arrangements, Ifitalia acted as agent of, with authority from, and for the benefit of its parent, BNL.

298. The financing arrangement between BNL and Parmalat commenced in December 1999, and was renewed every six months, totaling approximately €103 million each year.

299. In this scheme, old invoices reflecting amounts previously owed to Contal and other Parmalat dealers from distributors and supermarkets were repeatedly assigned to BNL (through Ifitalia) in exchange for cash. Since the receivables were non-existent, no monies were paid directly to BNL by third parties as would normally be the case in such transactions. Instead, Contal and the other dealers always paid the entire amount due directly to BNL at the expiration date with funds provided by (and wired from) Parmalat.

300. Contal and the other Parmalat dealers or “cessionaires” were controlled by NYTE, a Delaware corporation.

301. Zini, acting as agent for and on behalf of the Law Firm Defendants, created NYTE to replace Contal in this scheme, because Contal had management in common with Parmalat and was therefore a related entity. As Tonna stated in his January 13, 2004 interrogation, “Mamoli and Rovelli [of Deloitte] told Pessina or Del Soldato that since Contal was in Pessina’s and Ugolotti’s names (or maybe they were the directors) it would be inevitable to qualify such entity as a ‘related party.’” Tonna stated that “we [Tonna, Pessina and Del Soldato] instructed Zini to find a solution. He found it in the creation of NYTE, a Delaware corporation.”

302. From the very beginning, BNL was aware that the receivables did not in fact exist and that Parmalat was using “stale” invoices again and again to obtain financing. BNL had this knowledge due to its close ties and common directors with Parmalat. For example, Paolo Sciumé was a member of the board of directors of both BNL and Parmalat, as was Enrico Barachini. BNL also had knowledge of this scheme due to the crude way Parmalat altered the invoices to make them acceptable to BNL’s software used to process the invoices.

303. When payment on a set of invoices became due, Contal provided BNL with a new list of stale invoices to receive additional cash. The list of stale invoices was exactly the same as the prior lists provided to BNL, except that at BNL's request and instruction, Parmalat changed a single digit on each invoice's number in order to ensure that BNL's processing software would not flag any of the duplicate invoices.

304. Chiaruttini highlighted in her report one such transaction which occurred on or about December 1, 1999, when Parmalat assigned to its subsidiary Contal non-existent credits in the amount of 170.2 billion Lire and Contal executed a factoring agreement with BNL to receive cash advance on such credits. The terms of the agreement provided that Contal was obligated to make payment directly to BNL in the event of default.

305. Based upon her investigation, Chiaruttini concluded that BNL knew of and directly participated in the scheme, because: (i) the invoices were always paid by Contal and never by the assigned debtors; and (ii) the fake invoices were always issued to the same entities and for the same amounts. Additionally, documents obtained by prosecutors in Milan list each of the factoring transactions with identification of the concessionaire, the amount of the credit, and the factoring company which, as noted on the list, for many of the transactions was "Ifitalia (BNL)."

306. Claudio Pessina, who directly participated in this scheme, provided support for Chiaruttini's conclusions regarding BNL's knowledge of and participation in the scheme through its Ifitalia subsidiary:

I remember it involved a transfer of credit to our franchises who had already been paid. **In other words, they were old credits that had already been satisfied.**

* * *

The transfer was accomplished, materially, by me, while the contract with IFITALIA was drawn up by Tonna. I remember in particular that Tonna asked me to prepare a list of credits, supported by old invoices issued to our franchisees, as we had to obtain 200 billion Lire in financing. I was to send my work product to an IFITALIA (Parma branch) official named LASTRICO.

* * *

Ifitalia knew that the invoices were old and only served to justify the financing.

* * *

I had contacts with Lastrico, and we clearly spoke of invoices of convenience, because that list was always the same old one that was used for four years from December, 1999 to today.

* * *

To evade the safeguards in his [computer software] system, Lastrico asked me to change at least one numeral on each invoice on the list.

307. In testimony given to authorities on January 30, 2004, Pessina further clarified that:

I was in charge of the transfer of the list of the invoices. **My contact person in Ifitalia was Lastrico. He knew that the amounts were not due. Ifitalia knew that the transfers were false, but it was not interested in that because it had a guarantee issued by Parmalat.** I believe that the financing granted for these transfers was €103 million, which was renewed every six months. I know that the financing was granted by a pool of banks. **Every six months, when the financing was renewed, Parmalat was supposed to provide a list with new invoices. For our convenience, the same list was provided at all times and, upon request of Lastrico, only one figure of the number in the invoice was changed** because the list was inserted in the software, which would have automatically excluded the invoices with the same number of the preceding period.

* * *

308. BNL, through Ifitalia was eager to join Parmalat in this fraud because Parmalat guaranteed payment in the event of default. Thus, BNL bore no credit risk and also received inordinate returns on its factoring business with Parmalat. Additionally, BNL received lucrative

investment banking business from Parmalat as a “payoff” for engaging in the factoring scheme – BNL was awarded the role of underwriter for two Parmalat bond offerings during the Class Period which provided BNL with huge profits.

309. As a result of this factoring scheme, Parmalat overstated its receivables and assets, and understated its debt by at least €103 million each year during the Class Period.

F. Improper Reclassification of Debts as Inter-Company Debts Which Were Eliminated in the Consolidated Financial Statements

310. Throughout the Class Period, Parmalat, with the knowledge and participation of its key financial and legal advisors – Deloitte, Grant Thornton, Zini and the Law Firm Defendants – improperly reclassified its growing debts to third parties as obligations owed by one Parmalat entity to another. In the process of consolidating the books of all of Parmalat’s subsidiaries and affiliates, these reclassified debts were improperly eliminated and thus not reflected in the Company’s consolidated financial statements.

311. The primary vehicle for the improper reclassification was “Account 999,” or “conto contropartita” (a set-off account), described by Parmalat’s executives in their interrogations in Italy to be a “trash bin” list for the fake revenues, assets and profits that Parmalat had accumulated over the years. According to Chiaruttini, Account 999 was used within the consolidation process to re-classify the debts to third parties as intra-company debts (usually using Bonlat) which were later eliminated during consolidation of the financial statements of the Parmalat Group. By the end of 2002, Account 999 showed a debit of over € billion.

312. In the Illinois Complaint, Parmalat described how Account 999 was used and admitted (through Bondi) that improper adjustments were made in that account to eliminate Company debts:

Account “999” was used in the consolidated audit adjustments to reclassify \$4.49 billion in debts to banks as inter-company debts, which were then excluded as inter-company debts from Parmalat’s consolidated financial statements.

The counterparty that was used most often for this reclassification was Bonlat. As of December 31, 2002, the account balance of over \$8.4 billion is almost exactly the amount of Bonlat’s debit balance.

This account was not reflected on Parmalat’s consolidated financial statements. It was used as a “junk account,” largely to keep track of purported inter-company transactions. Some accounts in the audit adjustment column were first written off from the aggregate column of debts with banks and third parties (by entering the active balances of the consolidated companies in the adjusted trial balance) and then reclassified as “inter-company debts.” These debts were then deleted from Bonlat’s financial statements. The adjustments ended up in the “999” account.

313. Further, as stated in the Illinois Complaint, Account 999 represented 62% of Parmalat’s total assets:

Account “999” was supposed to reflect inter-company “imbalances.” For a company the size of Parmalat, the end-of-the-year imbalance would be expected to be minimal. **The \$8.4 billion in account “999” was huge. It screamed out to be audited in depth. Deloitte’s audit certifications ignored it and the 62% of Parmalat’s total assets it represented.**

314. As part of her extensive investigation, Chiaruttini reviewed Company records and concluded that “the value for over € billion of the ‘Account 999,’ on 12/31/2002, appears strangely similar to the losses shown on Bonlat’s ledger.” This finding is consistent with admissions made by Bocchi who, on February 6, 2004, described the role of Bonlat in the reclassification scheme:

The “Account 999 Double - Ledger” was used as a Ghost Account to report in detail the intra-group activities. . . . Some entries under the column “Debts to Banks and to Others” – the column depicting the consolidation activities – were shifted first to the “Reconciliation” column, and, later, were re-classified as intra-company debts which, in turn, were finally dissolved into the Bonlat activities. These entries inevitably flowed into the “Account 999 Double – Ledger” in detail.

315. As part of the criminal investigation in Milan and Parma, several individuals were questioned regarding the use and purpose of Account 999. On February 6, 2004, during his interrogation Bocchi described the improper use of Account 999 as well as Grant Thornton's and Deloitte & Touche's knowledge of this account:

The Account 999 of the consolidated balance sheet was used as a "garbage bin" to register in detail the intra-group transactions. . . . I **also explained it in detail to the Deloitte & Touche auditors, who saw it.**

* * *

Some amounts registered in the "adjustments" [to the balance sheets] were set off by "debts to banks and third parties", which were then classified as "inter-company debts", then set off by Bonlat's revenues. Those adjustments were detailed in the "garbage bin" 999 account.

D&T verified all the Bonlat papers because they requested them from GT. I know that the auditors [GT and D&T] met several times. We explained to them that the inter-company debts were based upon the Participation Agreements. They never requested the details of the debts to banks.

316. Similarly, while being interviewed by authorities on December 20, 2003, Bocchi stated:

Bonlat's accounts within the Group's consolidated balance sheets shows that the Company's Assets were represented by cash, stocks, letters of credit, commercial credits and intra-group credits. All these activities appeared in Bank of America's documentation. Moreover, those bonds that were bought back were also posted as Assets. On the Liabilities side of Bonlat there were Bonlat's debts to the intra-group companies. These debts were of two types:

- 1) assignment of credits from, and/or contract stipulated between, intra-group companies and Bonlat;
- 2) fictitious credits owned by the intra-group companies and steered into Bonlat to "lighten" the balance sheets of those inter-group companies. In the jargon of our financial offices, these operations were called "Bonlat's contributions to the group's health."

In other words, while Bonlat's intra-company losses were erased in the consolidated balance sheets, its gains remained. Repurchased bonds were also posted as assets in order to decrease the Group's liabilities – liabilities caused by the issuance of those very bonds that had been issued.

If we eliminate Bonlat from the consolidated balance sheets, the activities, contested by Bank of America, disappear on one hand; and on the other, theoretically, the individual companies in the Group should devalue in transcript their credits toward Bonlat which, as of June 2003, amount to about \$4.5 billion. Obviously, since you [the prosecutor] tell me that those re-purchased bonds do not exist, the buy-back amount [€2.8 million] should go to increase the Group's liabilities. Thus, broadly, it can be said that if Bonlat is an accounting artifice, its liabilities could amount, conservatively, to about €7 billion.

317. During his interrogation, Pessina described the roles of Bocchi and Tonna in this aspect of the scheme:

[Bonlat is] [a]n off-shore Cayman Islands company of which I was a non-voting member of the Board of Directors, together with Giovanni Bonici, an Italian resident of Venezuela. He was the administrative director of Parmalat Group's Venezuelan companies. There was also one other person on the board of directors whose name I can't recall. I only saw that person's name once on a document from Zini's office. That document was sent to me to forward to Bonici, who, having taken over from Tonna, might have required a power of attorney. On behalf of Bonlat, I signed several credit transfers between the companies of the group, notwithstanding my lack of power to do so. It involved a movement of entries in the balance sheet that were not my decision but instructions given to me by Bonici. Bonici was the general accounting manager of the group. He was of lesser importance than Del Soldato, but with responsibility for the consolidated balance sheet. It was Bonici who passed me the documentation to enter, or as in these cases, to sign. I maintain that Bonici received his orders from Tonna. As far as the management of Bonici, I am not certain as to exactly how things worked Additionally, regarding Bonlat, I also recorded a number of financial transfers for enormous sums. I reaffirm that I received my instructions from Bonici. I entered everything in the computerized accounting system. Even the data that I received from Bonici was by computer. It was an Excel document that I received electronically.

318. PwC concluded in its report that as a result of the improper accounting through Account 999, Parmalat falsely underreported its debt by at least \$4.49 billion as of September 30, 2003.

319. An additional \$985 million of bank debt was transferred to Bonlat through intercompany transfers and improperly reclassified as intercompany debt, resulting in an

additional \$985 million in debt that was not, but should have been, reflected on the Company's consolidated financial statements.

320. Bank debt from lines of credit totaling approximately \$298 million was transferred to Bonlat through intercompany transfers and again, this debt was improperly reclassified as intercompany debt. As a result of this improper accounting, the Company's consolidated financial statements underreported bank debt by another \$298 million.

G. Fictitious Bond Repurchases

321. Throughout the Class Period, Parmalat reported that it had repurchased and retired large portions of its outstanding debt when it had not.

322. The fraudulent misrepresentations about the Company's bond repurchases began at the beginning of the Class Period. As concluded by Chiaruttini, "[t]he Group started to fictitiously acquire its own bonds already during the year 1999, and this was never reported in the balance sheets."

323. The Company and various individual defendants have admitted to this fraud. Bondi explained in the Illinois Complaint that:

\$3.393 billion of bonds issued by Parmalat Finance Corporation B.V. were allegedly repurchased by Bonlat, reducing the amount of debt shown in the consolidated balance sheets. These bonds were not repurchased and remain outstanding. As a result, the bank debt in the consolidated balance sheet was understated by \$3.393 billion.

324. Bondi further stated in the Illinois Complaint, and Chiaruttini concluded in a detailed report, that Bonlat was used to offset debt owed by Parmalat on outstanding bonds. Securities allegedly held by Bonlat (but which did not exist) were used to offset \$500 million in bonds issued by Parmalat Capital Finance Ltd. As the \$500 million should have been included in the Company's financial statements as debt, and not offset against non-existent securities, the Company's bank debt was understated by \$500 million.

325. Marco Ghiringhelli, an auditor in PwC's Milan office, provided in his December 23, 2003 statement to the prosecutors in Parma the following results of his analysis of Parmalat's books with respect to the Company's "repurchase" of its bonds:

Grant Thornton's documents show us that Bonlat bought back a portion of the bonds recently issued by Parmalat. Parmalat, in the aggregate, issued bonds in the amount of U.S. \$7 billion. Our research shows that Bonlat bought back a portion of these bonds for an amount of \$2.9 billion, and that it debited these purchases on the BofA account. These bonds appear in the abstracts of the BofA account named "Securities Account." In light of BofA's claim that such an account does not exist, one must conclude that the bonds buy-back operation was not real.

I did not discover any trace of bonds placed by Parmalat with any of its inter-group companies. But I did discover Bonlat's buy-back operation, for \$2.9 billion. This operation however appears to be a mere figment in light of the non-existence of the BofA account. On the other hand, there is no trace of the actual existence of these bonds since they appear to have been deposited in an imaginary account.

Surely, Bonlat's repurchase of the bonds had the effect of decreasing, in the consolidated balance sheets, the final amount of that bond. This means that the bond apparently repurchased by Bonlat must still be in the marketplace.

326. Bocchi described to Italian prosecutors on December 22, 2003 a conversation between him, Del Soldato and Zini in which "Del Soldato stated that the bonds and promissory notes that should have represented the assets in Bonlat, in reality did not exist."

327. As PwC concluded in its report, as of September 30, 2003, as a result of the Company's fictitious bond repurchases, Parmalat underreported its outstanding debt by approximately \$4 billion.

H. Illegal Money Transfers to Tanzi Family Companies

328. Beyond the scheme to make Parmalat appear profitable, the Individual Defendants also stole millions, or even billions, of dollars from the Company. Throughout the Class Period (and before), Tanzi, Tonna and others directed the transfers of hundreds of millions

of dollars of Parmalat funds and assets to companies owned by Tanzi and his family, but the Company received no consideration whatsoever for these transfers. Rather, Tanzi and his family were simply stealing from the Company.

329. In 1999, Parmalat transferred approximately \$188 million to Holding Italiana Turismo S.p.A. (“HIT”), a travel company owned by the Tanzi family and run by his daughter Francesca.

330. As Bondi explained in his Illinois Complaint, the Company diverted additional sums in subsequent years. In 2001, another \$80 million was improperly transferred from Parmalat to HIT to help cover losses sustained by the travel company. In 2002, Tanzi’s looting became even more aggressive, as there were nine separate transfers to HIT alone, totaling over \$149.5 million. From 1997 to 2003, Tanzi and others at Parmalat transferred about \$500 million from the Company to HIT.

331. But that was not all. An additional 100 billion lire were embezzled from Parmalat to pay the debt of Coloniale, a Tanzi family company, to UBS. Coloniale had incurred that debt when UBS financed that company’s acquisition of Parmalat stock in 1996.

332. Parmalat funds were also improperly transferred to Sata S.r.l. (“Sata”), a limited liability company owned by three of Tanzi’s brothers. Tonna was the sole administrator of Sata.

333. Tonna described to Italian authorities the improper transfers of funds to Coloniale and Sata as follows:

In 1996 the Board of Directors increased the capital at Parmalat Finanziaria S.p.A. Coloniale, the Tanzi family holding that owned 51% of Parmalat Finanziaria, obtained financing from UBS CH for 200 billion lire. In 1999, half of these funds, or 100 billion lire, was paid with money from the group. Specifically, Parmalat Finance Corporation (Dutch) which was de facto the cash dispenser for the group by virtue of its bond issues, transferred 100 billion lire to SATA S.r.l. (headquartered in Parma)

which in turn transferred those funds to Coloniale. Coloniale then paid UBS CH.

334. Parmalat funds were also used to pay Sata's debt to the Odeon TV group, in the amount of 70-80 billion lire. Additionally, 20-25 billion lire were transferred from Parmalat to Sata to help Sata acquire a 38% share in Boschi (another company) in 1998. PwC in its report has identified a total of \$138.75 million in Parmalat funds improperly transferred to Sata, along with \$37.5 million transferred to Zini.

335. Parmalat recorded some of the "distributions" to HIT and other Tanzi-owned or controlled entities as "credits" or "loans." These entries remained on Parmalat's balance sheets until around 1997 or 1998, when they were transferred to Curcastle and Zilpa as "receivables." These receivables were transferred to Bonlat when it was established in 1998.

336. As explained in a December 30, 2003 article in *The Wall Street Journal*:

The way investigators believe the scheme worked, according to the person involved in the probe, is that **Mr. Tanzi would direct that Parmalat send money—via bank transfers—to companies owned by him or his family. That money—hundreds of millions of euros over the years—was then accounted for in Parmalat's books as a credit owed by these family-owned companies,** this person said.

337. The "credits" booked by Parmalat were then "paid off" with funds in the non-existent Bank of America account. As Chiaruttini stated in her report, the "fictitious Bank of America checking account was used . . . [t]o cash other credits which were created through fictitious transactions executed by Bonlat and through money transfers in favor of individuals and entities of the Tanzi family."

338. In many cases, the improper transfers were made through "loans" from Parmalat S.p.A. and Parmalat Finance Corporation B.V. to HIT and other Tanzi entities. The money was paid in cash or with bank transfers or checks to accounts in the name of Tonna or Franco Gorreri, Parmalat's former Treasurer and head of the regional bank Banca del Monte di Parma.

339. Parmalat later assigned its receivables for these loans to Parmalat Capital Finance, and later to Bonlat, where they vanished from the accounts receivables on the balance sheets and became “investments” in affiliates audited by Grant Thornton and Deloitte.

340. In the course of his interrogation by authorities in Italy, Tonna described the fraudulent scheme as follows:

I must underscore that through the years the group has funded Calisto Tanzi and his private activities with enormous sums. Basically, I would receive requests for funds either directly from Tanzi or from persons whom he had designated. The group then distributed those funds. In the years 1990-98 . . . 500 billion [lire] were disbursed. Those funds were paid mainly by Parmalat S.p.A. and maybe by Parmalat Finance Corporation [a Dutch company]. The funds were disbursed through the use of bank checks or discount notes whose account numbers were given either to me or to Franco Gorreri [Parmalat S.p.A.’s Financial Director]. The instructions to the issuing bank came from Gorreri and me, or, alternatively, from Mr. Antonio Gherardi (general manager of Parmalat S.p.A.). In fact, these payments required two signatories out of the three [administrators] whose signatures had been deposited. In addition, both Calisto Tanzi and Giovanni Tanzi had deposited their signatures and could thus withdraw by themselves. I underscore this last point because since 2001, following my request, the withdrawals were made directly by Calisto Tanzi. **These disbursements were justified in accounting by being characterized as financings and/or credits drawn toward a series of companies operating in the tourism business. The Tanzi family initially controlled 50% of these tourism entities, then acquired total control.**

* * *

This group also employed Francesca Tanzi, daughter of Calisto Tanzi.

Thus, in 1998, the diverted sums amounted to about 500 billion lire. This was known to the auditors who verified the rationales for the disbursements to the various companies controlled by the Tanzi family. In the [auditors’] reports, these tourism companies were never mentioned – not even as related companies. I also wish to point out that the Tanzi family’s control over these companies was known publicly and, most importantly, that Grant Thornton had audited the balance sheets of the ITC&P group for some years.

In 1998-99, these positions [financial operations] were immediately transferred to Bonlat through credit swaps. Later, we closed the books on

these operations by showing the receipts and/or the restitution of the funds through fictitious annotated operations in the false abstracts of the Bank of America account. Obviously, this entire fund diversion operation was assented-to by Tanzi who was the beneficiary.

* * *

As I said already, before 1999 the funds diverted to the [Tanzi] family and to [the family's] companies were erased in accounting through the Bank of America Account.

But already in 1999 the transfers began anew. In fact in that year, Parmalat Finance paid €150 million to HIT and then [masked] such a disbursement in the guise of credits owed by Web Holding, a Delaware company incorporated by Zini. This enormous amount, paid in several lumps, had been requested by Tanzi and Baratta. Later, this credit owed by Web to Parmalat Finance was turned over to Bonlat.

The diversion of funds to the Tanzis and to their companies continued in the years that followed and reached an amount between €400-500 million by the end of 2002. Parmalat S.p.A. and Parmalat Finance Corp. (Dutch) contributed to these payments. I believe that even these fund diversions were ascribed to Web and then turned over to Bonlat. In the substance, however, the money was deposited on the HIT accounts. At this time HIT is inactive and in the red.

341. With respect to the embezzled funds used to pay the debts of Coloniale to UBS,

Tonna stated:

As usual, the credit in the name of Parmalat Finance Corporation was diverted to Bonlat where it was finally erased in the false abstracts of the account held with Bank of America.

* * *

In fact, both earlier and afterwards, Sata received from Parmalat S.p.A. other financings totaling an amount that I cannot quantify, but that should be several tens of billions of lire.

342. There were other illicit means by which Parmalat funds were diverted to Tanzi family entities. During his interrogation, Tonna described the following:

In 2003, after I informed Zini of the need to [divert] more funds, we investigated the possibility of employing fiduciary deposits [trusts] under American law. Thus, Parmalat Capital Finance (Malta) disbursed to

certain U.S. fiduciary accounts managed by Zini an amount of €8-10 million which was subdivided as follows:

- €1.7 million to Zini for his work as consultant;
- €4.5/4.8 million to SATA—Tanzi with which Sata acquired shares in Coloniale now owned by Paola Visconti, daughter of Tanzi's sister;
- €3 million to the undersigned [Tonna] through deposits made at first to the Luxemburg-based company named Terzo Millennio [Third Millenium], holding an account in my name at Società Generale, I believe (I cannot remember whether this is the right bank but I will confirm later.) Later, the deposits were made to the Maltese company RTM Winery which held an account, also in my name, with another Maltese company, HSBC. With this money I bought a farm in Tuscany [from] Agricola Grossetana. RTM Winery purchased precisely this company. I underscore also that the sum given to me was characterized as a financing.

343. Additionally, Bocchi confirmed during an interrogation by authorities on December 22, 2003:

Over the years, beginning in 2001, the Group shifted funds to the following companies:

- 1) Web Holding, years 2001-2002. This company I think was headquartered in Delaware. Specifically, the funds were paid by Parmalat Capital Finance, headquartered in Malta (maybe at the time the headquarters were in the Cayman Islands).
- 2) Sata, in the years 1999-2003. This was a company, seated in Italy, under the Tanzi family. The payments were made predominantly as loans from Parmalat S.p.A.; the corresponding credits were assigned to Bonlat, and ended up later in the Epicurum fund;
- 3) HIT, in the years 1999-2003. This was a company, seated in Italy, under the Tanzi family—the Tourism Group;
- 4) Various years, ending in 2003: the payments were made directly to Calisto Tanzi.

The payments mentioned in items 2), 3), and 4) were made by Parmalat S.p.A.

344. Pessina also admitted to his role in the embezzlement on behalf of Tanzi and Tanzi's family. Pessina provided the following testimony to Italian prosecutors on January 14, 2004:

I remember that in 2000 or 2001, \$6-7 million appeared on the Carital accounts that on Tonna's orders were quickly transferred (in just a few days) to 3 or 4 beneficiaries among who I remember there was Sata, and one of the Tanzi family (maybe Giuseppe Tanzi) Another similar transaction comes to mind, I definitely recall that it was before 2001, and it was in Swiss Francs, that went to either Carital or Camfield Del Soldato told me that we had to create a black fund of at least €1 to 1.5 million to be put at the disposal of Calisto Tanzi and of which the €250,000,000 were only a part of the transaction.

345. In his January 16, 2004 deposition in Parma, Italy, Del Soldato described the Company's improper accounting for the transfers to the Tanzi family companies as follows:

I know that Sata and Agis were corporations of the Tanzi family. I remember that we had accounting codes to identify them in the accounting books. In the balance sheet they were registered as "creditors or other debtors" . . . and I do not remember if the note to the balance sheets included any information in this respect.

Technically, **the credits against the entities affiliated with the Tanzi family were not registered in the consolidated financial statements because before the consolidation they were transferred to other corporations in the Group and then were transferred to Bonlat.** Using this formula, the credits towards the Tanzi family did not appear. The corporation affiliated with the Tanzi family did not appear as related parties.

346. In addition to those improper transfers, Tanzi misappropriated refunds that should have been paid to Parmalat S.p.A. for that company's purchases of products from Tetra-Pak, a Swedish-based drinks packaging company that was a major supplier to Parmalat. Tetra-Pak's sales to Parmalat averaged \$280.5 million per year for the years 1995 to 2003.

347. Parmalat was Tetra-Pak's third largest customer, and Tetra-Pak provided discounts to Parmalat for buying its products and advertising its brands. According to Del Soldato (in his January 16, 2004 interrogation), "Tetra-Pak granted Parmalat S.p.A. discounts,

which were regularly registered in Parmalat books as advertising costs. The discounts related to the years 2001-2002. . . .” Indeed, discounts and rebates from vendors such as Tetra-Pak are common in the retail industry and can significantly affect a company’s income and its costs of goods sold. Tetra-Pak provided discounts to Parmalat through direct payments to various Parmalat-related entities.

348. As Bondi explained in his Illinois Complaint, until approximately 1995, the discount payments averaged around \$5-6 million per year, but for the period from 1995 to 2003, they increased to an average of around \$15.25 million per year (for a total of some \$137 million), and by the end of 2001, they were estimated to have reached around \$29 or \$31 million each year.

349. Until 2001, the Tetra-Pak discount payments were not actually made to Parmalat S.p.A., the company that had purchased the packaging. Instead, they were diverted to the Tanzi family and its controlled and owned entities.

350. Bondi stated that these sums were paid to various entities, including Parmalat USA Corporation (Parmalat’s U.S. subsidiary), Camfield (an “empty box” Singapore-based company), Carital Food Distribution Curacao (a Tanzi-family-controlled off-balance sheet Parmalat company), Parmalat Capital Finance Ltd. and Parmalat Trading Ltd.

351. Tetra-Pak paid the discounts to Carital until the end of 2001.

352. After 2001, a third of the refunds, roughly \$10 million a year, were paid to Parmalat Trading (with the other two-thirds distributed among other Parmalat Group companies), but the Tanzi family redirected these sums to themselves and other insiders as they saw fit.

353. As estimated by Bondi (on behalf of the Company), over a seven-year period, the Tanzi family received \$62 million in Tetra-Pak refunds, either directly or indirectly.

I. Epicurum

354. In 2002, Grant Thornton and Tanzi, Tonna, Zini, the Law Firm Defendants and other defendants recognized that Bonlat's fictitious assets had swollen to massive proportions. Grant Thornton auditors, Penca and Bianchi, met with Tonna and Bocchi on January 7, 2004 and pointed out that many of the promissory notes held by Bonlat were not collectible, nor had the interest due on them been paid. These two factors called into question the legitimacy of the promissory notes should anyone review Bonlat's books. Accordingly, the two Grant Thornton auditors proposed that the fictitious promissory notes be transformed into an equity investment.

355. Zini proposed a new investment vehicle for the fraud – Epicurum Limited. Although nominally Epicurum was an investment fund, in fact, Epicurum was a shell entity, without any activities or operations, established in the now-familiar tax haven – the Cayman Islands. Its purpose was to serve as an additional account in which to continue to hide fictitious credits generated by purported sales of Parmalat's products. The new account's other primary purpose was to cover funds paid to Tanzi-owned tourist companies.

356. Epicurum was incorporated in September 2002 and operated out of the New York offices of Zini & Associates. Tonna has advised Italian authorities that Zini managed Epicurum along with four other individuals in Delaware. A report from the Cayman Islands regulatory authority confirms this fact.

357. Upon its establishment, Epicurum was "given" a \$100 million receivable from Boston Holdings Inc., another fake company run by Zini in New York. Web Holdings, Inc., another fake company sharing the Zini & Associates New York address, purportedly issued €400 million in promissory notes to obtain funds for the Tanzi tourism companies. Epicurum also held €100 million in an illusory promissory note from Boston Holdings used to fictitiously acquire other companies named Newlat and Carnini. (See *infra* ¶75)

358. Therefore, at the end of 2002, Epicurum supposedly had grown to a \$625 million investment fund. Indeed, Bonlat's books reflected an "investment" of some \$625 million in Epicurum indicating that the promissory notes received from Boston Holdings and Web Holdings, Inc. were credited to Bonlat first before being assigned to Epicurum.

359. In 2002, Grant Thornton reportedly accepted oral assurances from Zini, Tonna and Tanzi that Bonlat's purported \$625 million investment in Epicurum was made on an arms-length basis. Grant Thornton never attempted to speak with anyone at Epicurum – which did not exist. Moreover, Grant Thornton knew Epicurum did not exist because its own accountant, Bianchi, was involved in discussions about the need to create another account to hold non-existent assets.

360. As Bondi stated in his Illinois Complaint, Grant Thornton purportedly "agreed" that Epicurum was a legitimate investment fund because, when the names of the directors of Epicurum were read to Grant Thornton, they "did not sound Italian."

361. The sole "confirmation" that Grant Thornton received about Epicurum's viability is a letter from Epicurum, dated March 13, 2003, confirming that on December 31, 2002, Bonlat held \$544 million and €123 million in the Epicurum fund. The letter contained only Epicurum's name and no contact information. Although the letter gave no explanation of the nature of these accounts, Grant Thornton did not ask for supporting documentation as would be proper and expected in an audit, because, as set forth above, it knew that the fund held no real assets.

362. The result was that Bonlat reflected a nonexistent "asset" of \$625 million which was incorporated into Parmalat's consolidated balance sheets. Grant Thornton's Penca and Bianchi knew that Epicurum was a fiction, just as its predecessors, Curcastle, Zilpa, and

Dacent, which were subsequently rolled into Bonlat, were also fictions. Deloitte also knew, or was extremely reckless in not knowing, the true nature of these “transactions.”

363. As explained below (at ¶¶ 994-996), Deloitte noted that it could not obtain an independent “fair value” for Epicurum, but failed to investigate further or request any documentation of the huge value of this asset. Consob even directed Deloitte to “pay close attention to the financial situation of the group” and, as Deloitte knew (or was reckless in not knowing), Consob even asked Parmalat’s Board Statutory Auditors to provide an explanation of Epicurum and the details of that fund, though none was ever provided. Additionally, Deloitte was required to conduct its own due diligence of Epicurum, since it was such a large asset and generated a great proportion of Parmalat’s profits; for instance, 97% of Parmalat’s net profit for the first half of 2003 derived from one transaction with Epicurum.

364. Tonna provided the authorities in Italy with a description of the roles of Grant Thornton and Zini & Associates in creating Epicurum:

In 2002 the Grant Thornton auditors, and specifically BIANCHI, I believe, told us that it was necessary to close the Bonlat—Web entries which could no longer be sustained, since the credit had never changed – that is, the amount had been left unchanged and thus failed to reflect even the [accretion of] interest. The GT auditors asked us to find a plausible solution. It was then that I had the idea of the investment fund, and I mentioned it to Zini so that he might study its feasibility. I also explained to him the objectives of the operation, as well as the type of credits that the [operation] should create.

Basically, my idea was to “deactivate” those by now unsustainable and uncollectible transactions, and to modify their legal and financial forms in order to characterize them as . . . new activities, and [was also] to cleanse Bonlat of the reference to what were, in substance, fund diversions to Tanzi.

Zini’s law office liked the plan, and after Tanzi approved the operation, we created the Cayman Islands fund which was managed from Delaware by four individuals

The paradox in this is that while the operation had been conceived as a financial operation to deactivate . . . un-collectible credits, there were few investors who manifested an interest in investing in the fund – something which we obviously did not encourage.

With respect to the activities of this fund, from what I remember, these were exclusively credits associated with payments to the Tanzi family, as well as others executed in 2003 which I shall later describe.

365. After indicating that “[t]he Bonlat activities were wholly invented” Tonna also admitted that “[t]he same applies to Epicurum. The amount of these operations necessitated the creation of fake banking documents.”

366. According to Bocchi’s December 22, 2003 testimony provided to criminal authorities in Italy:

It was decided in 2002 that the Epicurum Fund should be created as a shell company to collect all the payment types described above. Also, through the vehicle of bank transfers, [Epicurum] received funds that were issued both from Capital Finance and from Dutch Finance. Such payments were recorded in these two companies’ ledgers as “Zini Escrow.” Over the years, the Epicurum Fund was used to provide the accounting justification of the diversion of funds – diversions of funds that were carried out by means of the operations I just described. In substance, the total credits owned by the Group reflect the value of the Group’s participation in the fund. The operation was built by Tonna and Zini. Contracts for the assignment of credits were written in favor of Bonlat, which, in turn, assigned such credits to the Epicurum Fund. I also destroyed the documents relating to the Epicurum Fund, and in particular I destroyed on December 14 the list of assigned credits along with the Bonlat documentation.

In the end, through Epicurum we created the illusion of dynamic financial activity, undertaken by the investment fund, to screen off a simple financial credit which, later on, required a detailed balance sheet to justify and hide the diversions made to the Tanzi family.

367. Del Soldato provided similar testimony on December 22, 2003, when he stated that “the Epicurum fund was used to create the appearance of financial activities and to conceal the misappropriation of funds by the Tanzi family.” Del Soldato further admitted that he arranged various wire transfers and assignments of credits involving Epicurum, and that it was

structured by Zini who was the “key person in the Epicurum matter” and subsequently managed by Tonna and Calisto Tanzi.

J. Fraudulent Classification of Debt as Equity

368. Throughout the Class Period, Parmalat improperly recorded large portions of its debt as equity.

369. Between 1997 and 1998 Parmalat purchased three Canadian companies: Dairy & Bakery Inc. (then known as Beatrice Foods Inc.) (“Beatrice”), Ault Foods Ltd. (“Ault”) and Astro Dairy Products Ltd. (“Astro”). Citibank participated in each of these transactions, serving as advisor and lender to Parmalat.

370. As quoted by Chiaruttini in one of her reports, Citigroup described its entry in the Canadian business as follows: “Parmalat required the participation of Citigroup for credibility and prestige reasons. The corporation wanted to demonstrate that it had a powerful business partner in its first business transaction in the North American market.”

371. To finance the purchases of Beatrice and Ault (for Cdn \$420 million and Cdn \$415 million, respectively), Parmalat borrowed approximately \$70 million from Citibank. Rather than calling the \$70 million payment a loan, Citibank structured it to appear as an equity investment. Thus, Citibank “purchased” a 24.9% stake in Parmalat Canada by making capital contributions to Parmalat Canada totaling Cdn \$97 million on April 10, 1997 and July 1, 1997. A third contribution was made by Citibank of Cdn \$24.9 million on October 30, 1997.

372. As determined by Chiaruttini, contemporaneously with those transactions, Parmalat and Citigroup executed a “put agreement” obligating Parmalat to repurchase the “equity” owned by Citigroup in Parmalat Canada at a purchase price equal to the “investment” by Citigroup plus a spread if certain events occurred.

373. As set forth in the New Jersey Complaint, the transaction worked as follows:

the [transactions] called for a put or stock exchange listing. In brief, if [the companies] were listed on the stock exchange, the listing would be used as the means for providing a return on the loan. Otherwise, in 2002 [Citibank] would have been able to exercise a put for [\$120 million] based on the initial loan of about [\$70 million].

374. This same scheme was used when Parmalat acquired Astro in 1998 for Cdn \$483 million. As part of that transaction, Citibank made an additional Cdn \$50 million “capital contribution” to Parmalat Canada on November 25, 1998. At the time of the transactions, defendant Ferraris (then a Vice-President in Citibank’s Milan office) told the press, that “we are a financial partner [with Parmalat] . . . We are investing in Canada because Parmalat is investing in Canada.”

375. Citibank falsely informed the investing public that the transaction was an equity transaction. As reported in a March 22, 1997 article in *Il Sole 24 Ore*, a Citibank senior executive boasted about the bank’s acquisition of the 24.9% stake in Parmalat Canada and stated that “naturally . . . ours is a financial transaction which will be dismissed at medium or long term. Maybe with a public offer. Parmalat has a preemptive right on our participation, and is ready to acquire it.” Citibank misrepresented this transaction by failing to disclose to the market that Parmalat was actually obligated, under the put agreement, to buy Citibank’s equity position.

376. Each time Citibank made a “capital contribution,” Dairies Holding International B.V., the direct parent of Parmalat Canada, would make a contribution to Parmalat Canada that amounted to 75.1% of the total increase in capital. Thus, on the surface, Citibank appeared to obtain a 24.9% ownership interest in Parmalat Canada, while Dairies Holding had a 75.1% interest. Citibank proposed that it “invest” less than 25% because, under Canadian tax law, there is no capital gains tax on share interests of less than 25%.

377. As a result of these structured transactions with Citibank, Parmalat with the participation of Grant Thornton falsely recorded each of these “investments” by Citibank as

equity on its consolidated financial statements. As a result of this transaction, Parmalat was able to overstate, and did overstate, its assets and understate its debt.

378. Parmalat's 1999 Annual Report also falsely described Parmalat's relationship with Citigroup in part as follows:

During the second part of the financial period, Parmalat renegotiated terms for the potential acquisition of Citicorp's stake in the capital of the subsidiary Parmalat Canada Limited. The new agreement established that the Parmalat Group could be required, should certain contractually provided conditions occur, to purchase, on or before April 10, 2001, 24.9% of Parmalat Canada Limited held by Citicorp, for the price of 174,123,000 Canadian dollars.

379. In reality, the "investments" by Citibank were high interest loans. Citibank never intended to take any risk by becoming a minority shareholder. Citibank protected its Parmalat "investments" from any loss by requiring Parmalat to enter into a secret put agreement that guaranteed that Citibank would receive a return on its investment. This put agreement was never disclosed to Parmalat's regulators, shareholders or creditors.

380. The put agreement allowed Citibank to sell back to Parmalat its ownership interest in Parmalat Canada at a set price. The first put agreement was entered into as part of the April 10, 1997 capital increase. The exercise price for the put was Cdn \$70 million.

381. From 1997 until 2001, Citibank increased the put price by amending the put agreement with each new transaction. Parmalat and Citibank made a final amendment to the put option, increasing the exercise price to Cdn \$182.3 million as of December 31, 2001.

382. On January 2, 2002, Citibank wrote Parmalat informing Parmalat that Citibank intended to exercise the put option on January 25, 2002, the first date the put option could be exercised.

383. On exercising the option, Citibank received a tax free profit of Cdn \$47.82 million.

384. Parmalat failed to adequately disclose this arrangement in any of its the financial statements or public filings for fiscal years 1999 and 2000.

385. Parmalat's financial statements for fiscal year 2001, also hid the truth about Citibank's "investment" explaining only that:

Parmalat executed an agreement for the purchase of the equity in the subsidiary Parmalat Canada Limited owned by Citigroup in the amount of 182,283,000 Canadian dollars equal to €129,490 million at the exchange on December 31, 2001, amount paid during the month of January 2002.

These disclosures failed to clarify the real nature of the transaction, including the true terms of what was a financing agreement between Parmalat and Citigroup.

K. Manipulation of Goodwill

386. During the 1990s and throughout the Class Period, the Company undertook an aggressive acquisition campaign during which time it employed improper acquisition accounting to further manipulate financial statements of the Company and the Parmalat Group. Through these improper accounting techniques, Parmalat and the Parmalat Group, with the active participation of the Auditor Defendants, recorded and failed to properly amortize grossly inflated or fictitious amounts of goodwill in connection with acquisitions of companies which became subsidiaries and affiliates of Parmalat.

387. In contravention of normal accounting practices, Parmalat and the Auditor Defendants amortized goodwill over a 25 year term and never analyzed whether the entries were supportable. The 25 year term was improper and not supportable, nor were the goodwill entries, as the associated Parmalat subsidiaries and affiliates were losing greater amounts of money each year and increasingly contributing to Parmalat's deteriorating financial condition. Thus, Parmalat and the Auditor Defendants compounded that manipulation of goodwill (and their

impact on the Company's financial statements) by failing to properly write down that goodwill over the appropriate (shorter) period of time.

388. As Chiaruttini noted, goodwill typically is amortized over a 5 year term, which can be extended to up to 20 years in certain circumstances. Moreover, proper accounting practices require that Parmalat examine each entry for goodwill every quarter to verify that it is still supported by the economic reality of the associated physical assets.

389. Not only did Parmalat improperly record goodwill in connection with these subsidiaries to inflate the Company's reported assets, it and the Auditor Defendants also chose to ignore accounting conventions in order to maximize the positive impact on Parmalat's consolidated balance sheet of these improper entries.

390. The Illinois Complaint describes one example of Parmalat's scheme to inflate its assets through phony goodwill that was not amortized. As the Company explained, and as also reported by Chiaruttini, Parmalat failed to record in 2003 approximately \$26.5 million in accumulated amortization against goodwill already booked in the consolidation in connection with Parmalat USA, another subsidiary. This had the effect of inflating Parmalat's consolidated assets by the same amount. Parmalat used similar improper accounting in connection with its acquisitions of other companies which became Parmalat subsidiaries and affiliates, and continued that improper accounting through the Class Period.

391. In one of her reports, Chiaruttini concluded that much of the value of goodwill recorded in the consolidated balance sheet of Parmalat included amounts that were unsupported by the operations of the underlying consolidated subsidiaries. For example, Chiaruttini noted that Parmalat's consolidated balance sheet recorded goodwill for subsidiaries in Brazil and Argentina that had a history of severe operating losses, as well as for two Italian subsidiaries,

Streglio S.p.A. and Eurolat S.r.l., that were performing poorly. By booking goodwill for each of these subsidiaries despite the fact that such entries were unsupported by economic reality, Parmalat inflated the value of these assets, which inflated value was carried through the consolidation process to inflate the reported asset value of Parmalat on a consolidated basis.

392. Chiaruttini ultimately concluded that “the recorded value of goodwill is not supported by any corroboration.”

393. Through this improper accounting, the defendants inflated Parmalat’s and the Parmalat Group’s reported assets throughout the Class Period.

L. The \$300 Million “Outside” Investment in Parmalat’s Brazilian Operations

394. Parmalat and Bank of America structured a transaction involving Parmalat’s Brazilian affiliate, a holding company called Parmalat Empreendimentos e Administracao (“Parmalat Administracao”), that was intended to significantly inflate both the balance sheet of Parmalat and the value of Parmalat’s Brazilian operations.

395. Parmalat’s expansion into Brazil had not been successful. By late 1999, Parmalat Administracao had been incurring substantial losses for a number of years and investors had become concerned that Parmalat had overpaid for Parmalat Administracao and would have to take a write-down. Parmalat, which had been exploring with Bank of America as its advisor a number of options to alleviate the drain on its earnings associated with its Brazilian operations, wanted to sell a portion of its Brazilian operations to investors to raise cash and also to substantiate to the investment community the value of Parmalat Administracao. Some legitimate purchasers willing to buy a stake in Parmalat Administracao had earlier approached Tonna about an arm’s-length transaction but at a price that, if accepted and made public, would have revealed that Parmalat had overpaid for the Brazilian operations. This would have caused a write down

on Parmalat's balance sheet and a decrease in the value of Parmalat, since the market would have learned of the true value of Parmalat's Brazilian operations.

396. In late 1999, Bank of America proposed a financial arrangement that would enable Parmalat to increase the purported value of Parmalat Administracao. Bank of America purportedly arranged the sale of an 18.18% interest in the Brazilian entity to "outside" North American investors for \$300 million with Parmalat retaining the remaining 81.82%.

397. In reality, under the terms of the transaction, the North American investors never took a direct stake in the Brazilian unit. Instead, Bank of America used two special purpose entities in the Cayman Islands, Dairy Holdings Ltd. and Food Holdings Ltd., to sell four-year private placement notes expiring December 2003 (the time period for Parmalat Administracao on the Brazilian Stock Exchange"). According to the North Carolina Complaint, the notes were sold to institutional investors, including several U.S. insurance companies. With the \$300 million that was raised, Food Holdings and Dairy Holdings acquired the 18.18% equity interest of Parmalat Administracao. As Food Holding and Dairy Holding had no operations from which to pay off the notes, the notes were guaranteed by Parmalat S.p.A. and were further secured by a put agreement which obligated Parmalat Capital Finance to buy back the 18% stake in the event Parmalat Administracao did not become publicly listed. If the public offering fell through, the stake would be repurchased for at least \$424 million, a third more than the value of the notes issued.

398. Bank of America and Parmalat knew that the proposed future public stock listing for Parmalat Administracao in fact would never happen. According to a Chiaruttini report, at the time the parties entered into the put agreement, it was evident that there was no possibility that the Brazilian subsidiary would be listed on the Brazilian Stock Exchange. As Andrea Ventura,

President of Wishaw Trading S.A. and Administrative and Financial Director of Parmalat Brazil S.A., stated to investigators on March 10, 2004: “Surely from the year 2002, but probably earlier, the management of the Brazilian group and myself were aware of the substantial economic-financial impossibility to be listed, especially in light of the values indicated in the equity transaction organized by the Bank of America and financed through [private placements].” Thus, Parmalat was assured that it would have to repurchase the 18% stake at a significant premium.

399. This bogus sale allowed Parmalat to maintain the artificially high value at which its Brazilian subsidiary was carried on Parmalat’s books. The bogus sale also caused the market to reevaluate the worth of Parmalat’s Brazilian operations since the market now believed that a third-party arms-length buyer paid \$300 million for an 18.8% stake in Parmalat’s Brazilian operations. The market thus assumed that Parmalat’s entire Brazilian operation was worth not less than \$1.6 billion.

400. Bank of America co-wrote with Parmalat a press release issued on December 18, 1999 which announced the transaction and misrepresented its terms. In fact, as described later herein (at ¶849), Sala, acting as agent for and on behalf of Bank of America, told Tonna how to describe the transaction without revealing that Parmalat would have to repurchase the 18.18% stake at a very substantial premium in the event the Brazilian entity did not obtain a public listing and without revealing that such public listing would never occur.

401. In its 1999 Annual Report disseminated on or about April 18, 2000, Parmalat falsely described the transaction as follows:

In December Parmalat Administracao Ltda increased its share capital and opened up the company to a group of North American investors coordinated by Bank of America. The operation raised funds of 300

million US dollars for Parmalat Administracao. The new shareholders have a stake of just over 18% of the Company's capital.

The operation aimed, on the one hand, to strengthen the capital in Brazil, one of the Group's most important markets, and on the other, to achieve the Brazilian Company's listing within four years.

Parmalat Administracao's new shareholders, if by the end of the fourth year the scheduled listing has not been accomplished, will have the option to sell back to the Parmalat Group the shares subscribed during the capital increase. In such case, the cost for Parmalat would be equal to the subscription value paid by the North American investors plus a spread in line with the Group's latest financial operations on the international market.

402. This description concealed the fact that instead of being an equity transaction that placed a true arms-length value on Parmalat's Brazilian operations, the deal was really a \$300 million private debt placement partly secured by the Brazilian stake. Thus, rather than increasing the balance sheet, and value, of Parmalat, the transaction should have had a negative effect on the financial statements since the increase in cash was more than off-set by an increase in debt and transaction costs (since Parmalat paid Bank of America and Banca Cantonale dei Grigioni \$3.75 million in fees for this transaction).

403. The transaction when announced to the public had its desired effect. On December 21, 1999, Morgan Stanley issued a report, stating:

Parmalat's shares were suspended limit up in Milan on Monday. . . Parmalat has announced the sale of an 18% stake in its Brazilian unit to North American investors for \$300 million. . . . *Parmalat seems undervalued.* . . . **We are raising Parmalat's price target. . . . We reiterate our Outperform rating. . . . This transaction values Parmalat's Brazilian business at \$1.35 bn, on our estimates . . . suggesting that the group is currently significantly undervalued.**

The announcement of the transaction also drove up Parmalat's share price by 17% a share on markets worldwide, adding \$373 million to the Company's market value.

404. As a result of this fraudulently reported transaction, Parmalat's shareholder equity was overstated by hundreds of million of dollars from December 21, 1999 through 2003 and its debt was understated by at least \$300 million. Further compounding the fraudulent nature of the transaction, the \$300 million raised was not even used for the Brazilian operations but was assigned to a Uruguayan subsidiary of Parmalat known as Wishaw Trading SA.

405. This scheme enabled Parmalat to: (a) artificially prop up the market value of its stock and reported shareholder's equity; and (b) falsely decrease its reported debt by keeping the \$300 million private placement debt off its balance sheet.

M. CSFB's Scheme for Parmalat to Issue Bonds Through its Brazilian Affiliate But Never Report That Debt on the Company's Consolidated Financial Statements

406. Parmalat, the Individual Defendants and CSFB designed and participated in a financial transaction to provide financing to Parmalat through the issuance of bonds by Parmalat Participações do Brasile ("Parmalat Brasile"), so that debt would never be reflected on Parmalat's consolidated financial statements.

407. In or about May 2001, CSFB prepared a prospectus for the issuance of bonds in the amount of €500 million by Parmalat Brasile to be underwritten entirely by CSFB. CSFB structured the transaction so that it would appear to offer liquidity to Parmalat Brasile for the payment of its debts. According to an e-mail on or about January 17, 2002, signed by Giaime Cardi on behalf of CSFB, the transaction was to be defined as "registered and/or unregistered loans."

408. On or about July 30, 2001, defendant Tonna signed a retainer authorizing CSFB to execute the transaction. On or about October 26, 2001, on behalf of Parmalat, Tonna executed a Feasibility Notice, i.e. a notice of confirmation on the feasibility of the transaction.

409. On or about December 19, 2001, Parmalat executed a Subscription Agreement with CSFB according to which the bonds were convertible into equity of Parmalat Brasile in the amount of €500 million, with an expiration date in 2008. CSFB apparently purchased and held the entire €500 million allotment.

410. On the same date, Parmalat and CSFB executed a Forward Sale Agreement under which CSFB transferred back to Parmalat the right of conversion of the bonds at a price to be decided prior to the expiration date contained in the Subscription Agreement. The right of conversion was priced at €248,312,500.

411. To pay CSFB under the Forward Sale Agreement, Parmalat Finance Corporation B.V. issued bonds in the amount of €250 million ("Eurobond B.V."). CSFB also underwrote those bonds jointly with Banca Akros S.p.A. and MPS Finance Banca Mobiliare S.p.A. The retainer letter for the underwriters of Eurobond B.V. was executed by Tonna on or about December 5, 2001.

412. The €246,534,000 paid to Parmalat Finance Corporation B.V. for the issuance of Eurobond B.V. (€250 million less costs and commissions) was transferred to Parmalat. Pursuant to a letter on or about January 18, 2002, Parmalat instructed CSFB that the funds be used as payment for the price for the right of conversion. According to Chiaruttini, the full €246,534,000 was deposited to CSFB's checking account at Chase Manhattan Bank.

413. These transactions purportedly allowed Parmalat and its subsidiaries to raise €750 million. Less costs and commissions, the €750 million was received by the following entities:

- a) €250 million by Parmalat Brasile which it immediately used to pay debts to banks, and in particular Citibank;
- b) €250 million by Parmalat Finance Corporation B.V.; and

- c) €250 million by CSFB for the unexercised conversion option of bonds of Parmalat Brasile.

414. According to one of the Chiaruttini reports, which cites to a January 2004 report by PwC, after the default by Parmalat, CSFB exercised the option included in the Forward Sale Agreement and received an additional €245 million.

415. In reality, (a) CSFB entirely underwrote the bonds of Parmalat Brasile, paying €500 million for the bonds minus €3,375,000 in commissions for selling the bonds and for the Forward Sale Agreement; (b) CSFB received €48,312,500 as payment for the transfer of the conversion rights incorporated in the bonds issued by Parmalat Brasile; (c) Parmalat Finance Corporation B.V. incurred debt of €246,534,000 for the issuance of Eurobond B.V.; (d) Parmalat Finance Corporation B.V. transferred €250 million to Parmalat, which was the amount of cash needed for Parmalat to purchase the right of conversion of the Parmalat Brasile bonds to equity; (e) Parmalat recorded approximately €250 million as an asset on its balance sheet for the right of conversion; and (f) through the Forward Sale Agreement, the Brazilian group booked the €250 million debt to CSFB as an asset on its balance sheet.

416. As Chiaruttini concluded in one of her reports, through this circuitous intra-company deal, Parmalat manufactured over the approximate one-year term of this deal (ending January 2002), €48 million in assets, concealed €48 million in increased debt, and provided its Brazilian subsidiaries €250 million in new financing.

417. For its part in the scheme, CSFB received millions of dollars in commissions and fees. Further, according to Chiaruttini, CSFB structured the transaction in order to eliminate the attendant underwriting risks. For at least 50% of the amount, CSFB transferred the risk to Parmalat through the Forward Sale Agreement. For the remaining 50%, CSFB transferred the

risks to the market by selling the bonds without the right to conversion, or it may have transferred the risk by executing Credit Default Swap Agreements.

418. After the end of the Class Period, investors learned that Credit Suisse Asset Management, an arm of CSFB, had sold most of CSFB's equity exposure to Parmalat in early 2003.

N. The Misrepresentations in the Sale of Bonds to Nextra

419. Parmalat and certain Individual Defendants designed and participated in a scheme by which Parmalat acquired additional financing at rates higher than what was represented to the market. Parmalat obtained the financing through issuances of bonds to Nextra Investment Management ("Nextra").

420. In June 2003, as Parmalat's finances continued to deteriorate dramatically and it was increasingly desperate for cash, Morgan Stanley informed Parmalat that Nextra, the asset-management arm of Italian bank Banca Intesa, was interested in buying an entire bond issuance of Parmalat Group.

421. Morgan Stanley & Co. International Ltd., Morgan Stanley's United Kingdom arm, organized the transaction. It underwrote the private placement of €300 million of Parmalat Finance Corporation B.V. bonds which it sold to Nextra.

422. Deutsche Bank also purchased a portion of the bonds. Deutsche Bank ultimately sent €1,131,921.26 to the account of Parmalat Capital Finance B.V., in part for the purchase of the bonds.

423. On or about June 18, 2003, Parmalat issued a press release describing the completed €300 million bond issuance and confirming its debt policy. The press release stated the following:

Parmalat confirms its debt policy and, above all, the fact that the Group, in the medium term, will not issue convertible bonds or, in the short term, bonds for placement on the so-called retail market. The Group does, however, intend to exploit any market opportunities to raise new funds at advantageous conditions to be used to refinance a part of its existing short-term debt.

An example of this approach was provided by the recent private placement involving a single institutional investor. The new 300-million-euro, floating-rate issue, which matures in 2008, is indexed to Euribor plus 305 basis points.

424. The Nextra bonds sold with a stated coupon rate of 3.05% over Euribor, a rate reserved only for companies in good financial health, suggesting to the market that sophisticated buyers of Parmalat debt, entitled to do due diligence into its finances, were willing to lend it money at prime interest rates.

425. However, Parmalat's statement concerning the coupon rate was false because Parmalat and Nextra had secretly agreed that the coupon rate Nextra would receive would vary in accordance with a ratio measuring Parmalat's earnings as compared to its interest payment obligations, entitling Nextra to a higher coupon rate on the Nextra bonds than the stated coupon rate.

426. Specifically, Parmalat, as guarantor, and Parmalat Finance Corporation B.V. signed a deed of undertaking with Nextra, pursuant to which the Parmalat and Parmalat Finance Corporation B.V. agreed to maintain certain ratios (earnings over interest obligations) to cover interest payments, calculated on consolidated figures. Tanzi has admitted to prosecutors that Parmalat declared a lower interest rate than it was actually paying so that markets would not discover that Parmalat was desperate for cash. Tanzi admitted that "[i]f such information had been revealed to the market it would have emerged that we were in a difficult financial situation."

427. On or about September 1, 2003, Morgan Stanley purchased €20 million face value of the bonds from Nextra and, on or about September 16, 2003 and October 6, 2003, Morgan Stanley resold them to other private investors.

428. After Parmalat revealed the additional debt obligations incurred through the Deutsche Bank €350 million bond issuance (discussed in detail below), Nextra sought to limit its credit exposure. It told Parmalat that it intended to dispose of the bonds remaining in its portfolio. Parmalat could not let Nextra sell the bonds because, as Tonna admitted to prosecutors: “This would have been an issue because the bond had a covenant and all the investors of other bonds would have protested over the disparity of treatment.”

429. Therefore, on or about October 14, 2003, Parmalat executed a Remarketing Agreement with Morgan Stanley. Under the agreement Morgan Stanley would repurchase the bonds on behalf of Parmalat at a price equal to 103% of their face value, up to a maximum of €80 million and would resell them on the market by November 17, 2003, without the interest cover covenant. If by that date Morgan Stanley had not placed the bonds, Parmalat was obligated to repurchase those bonds from Morgan Stanley at a price equal to 103% of their face value. In addition, Morgan Stanley agreed to sell the bonds repurchased from Nextra at 98.87% of the issuance value and Parmalat agreed to reimburse Morgan Stanley any losses arising out of placements at a price less than 103% of the notional amount. On October 16-17, 2003, Parmalat deposited €85.4 million to a Morgan Stanley Dean Witter Bank Ltd. account to fund Morgan Stanley’s guaranteed cover of its exposure. That amount, which equaled 103% of the face value of Parmalat bonds that Morgan Stanley would acquire from Nextra, served as the cash collateral.

430. During the period October 13-24, 2003, Morgan Stanley acquired all of the bonds still held by Nextra for €280 million and then sold a total of €150 million face value of the bonds

to other banking institutions at prices less than what Morgan paid for them. Parmalat paid Morgan Stanley €1,970,000 under the agreement.

431. On or about October 28, 2003, Morgan Stanley and Parmalat signed an amendment to the Remarketing Agreement pursuant to which Parmalat agreed to a re-valuation of the bonds at current market value. Parmalat paid Morgan Stanley an additional €1,300,000 to cover the depreciation of the bonds that Morgan Stanley still held, and agreed to pay, at the expiration of the Remarketing Agreement, the price difference in the event that the bonds were sold at a lesser price.

432. On or about November 17, 2003, Morgan Stanley resold to Parmalat Finance Corporation B.V. the remaining Parmalat bonds in its portfolio, equal to €30 million, at a price equal to 85% of the face value, or €10,500,000. In addition to the cost to repurchase the bonds, Parmalat reimbursed Morgan Stanley €2,100,000 for the difference between the market value of the bonds as agreed in the Amendment to the Remarketing Agreement and the market value at the time of the transfer, plus accrued interest and legal fees. This money was paid from the cash collateral that Parmalat had deposited at Morgan Stanley Dean Witter Bank Ltd. to guarantee the transaction.

433. In addition to the approximately €7 million commission that it received as the underwriter of the bonds sold to Nextra, Morgan Stanley made €25,966,482 in reselling the bonds after they were repurchased from Nextra.

O. Fictitious Sales of Trademarks and Other Intellectual Property

434. During the Class Period, Parmalat entered into agreements for the sale or licensing of trademarks and other intellectual property and booked millions of dollars from those transactions which in fact never took place.

435. As the Company admitted in its New Jersey Complaint:

After Bonlat was set up, it was first used as a conduit to book fictitious sales of millions of dollars of trademarks and other intellectual property to companies such as Findairy Corporation. In reality, none of these transactions took place.

436. The fictitious sales of intellectual property were made primarily to two Delaware-based shell entities whose books were not consolidated with those of other Parmalat subsidiaries. Parmalat's internal accountant Bocchi described this scheme to prosecutors on December 23, 2003:

Bonlat sold brands and technologies for sizable amounts of money to Boston Holding and Findairy. But these sales in reality were wholly fictitious . . . [as] they never really acquired brands or technologies . . . Boston Holding and Findairy . . . are . . . two Delaware-based companies . . . outside of the Group's bookkeeping. This allowed us to book a fictitious credit (equal to the amount of the asset) while retaining control over the asset.

437. Bocchi identified in his January 20, 2004 interrogation the time period when these improper transactions occurred and the amount that was improperly booked:

Every year since 1993/94 Parmalat executed fictitious contracts with third parties. Among them, I remember Naipal entered some of the agreements. **Fictitious trademark license agreements were also executed with other parties; other agreements were also executed, but I don't remember the details.** The amounts were €190 million in 2002 and similar or greater amounts for the preceding years.

438. Bocchi also admitted in his February 6, 2004 interrogation that he was directly involved in drafting one of the fictitious trademark agreements, and he stated that "it is possible that the issue was raised directly by D&T."

439. Zini estimated the amount to be even higher in his December 22, 2003 interrogation:

They also showed me some brands and licensing-technology contracts between Bonlat and U.S. companies that I represented. These were contracts written in crudely worded English that appeared to me to be

clearly counterfeited. These contracts showed Parmalat credits – fictitious credits – in the amount of \$430 million. Besides, I kept copies of certain forged promissory notes as well as the forged licensing contract that I mentioned earlier.

440. Tonna was directly involved in the manipulation of the Company's financial statements and the booking of fictitious sales and credits from the intellectual property transactions. He provided the following description of the improper accounting in his January 20, 2004 interrogation:

To draft the consolidated balance sheet in compliance with Italian law, it was necessary to adapt the Brazilian companies' balance sheets. Only at that moment did they tell me that there were losses and asset entries to correct because assets were uncollectible or assets that had to be devalued because they were no longer performing assets. This is what happened: I manipulated the balance sheets of the Brazilian companies creating, with the chief executives of those companies, remedies to show the balance sheets as even or in the black. That occurred from 1995 forward through transactions that were either partially or wholly fictitious, including transfers of trademarks sold at low prices but carried at an inflated value on the balance sheets. The transfers were made to corporations outside the group, such as Dancent, that belonged to the Tanzi family and was a Uruguayan off shore corporation that had no balance sheet problems, or subsidiaries, such as Curcastle and Zilpa.

* * *

Returning to the overvaluation of the brands sold by the Brazilian corporations, the transaction happened in the following way: Parmalat Brazil, for example, would sell for 50 a trademark it owned for 10 entering a profit of 40 and a credit towards the Curcastle or Zilpa corporation as the purchaser of the brand. The brands remained with Curcastle or Zilpa and were devalued with an amortization schedule.

441. Parmalat in its New Jersey Complaint specifically identified a phony \$6.95 million trademark agreement with Zilpa, as follows:

For fiscal year 2001: Parmalat de Mexico S.A. "sold" \$6.95 million worth of trademarks and rights to Zilpa (an affiliated Parmalat company, discussed above). The Zilpa payable to Parmalat de Mexico, which matures in 2006, was then transferred to Olex, S.A., another Parmalat group company that was not subject to audit.

442. As a result of the fictitious license agreements and transfers of trademarks and other intellectual property, Parmalat inflated its revenues by at least \$430 million.

VI. DEFENDANTS' FALSE AND MISLEADING STATEMENTS DURING THE CLASS PERIOD

A. Overview

443. The Company's financial statements and other public statements and disclosures by Parmalat and the Individual Defendants during (and prior to) the Class Period were replete with misstatements of financial results and conditions, omissions of material adverse facts and developments, deliberate misrepresentations of future prospects and outright falsehoods. The defendants' improper actions enabled Parmalat to use its self-described "avant-garde marketing" to tap the United States and foreign financial markets, touting Parmalat's great financial performance while concealing its true financial performance. To paraphrase Chiaruttini's conclusion – virtually every financial figure Parmalat announced or disclosed in its financial statements was false.

444. Defendants' conduct enabled Parmalat to continue concealing its operating and investment losses by employing the following improper practices (which are set forth in greater detail in Section V, supra): concocting wholly-fictitious invoices, purportedly "owed" to the Company by third parties or other Parmalat operating units; falsely representing assets that did not exist, including \$4.9 billion in a Bank of America account that was wholly illusory; representing that it had repurchased and retired portions of its debt when, in fact, it had done neither; using Bonlat and "Account 999" to reclassify the banking debts as inter-company debts that were then deleted to balance inter-company activities; using special purpose entities, including defendant Buconero, to improperly disguise monies on its balance sheet as equity rather than as debt; and engaging in an illegal practice of funneling Company assets to

enterprises owned by the Tanzi family. Defendants did not disclose any of these improper transactions, or the related improper accounting. All of these practices directly caused Parmalat's financial statements during the Class Period to be falsely misstated.

445. As a result of these false financial statements and material misstatements and omissions, defendants were able to hide Parmalat's financial problems from the investing public, and the prices of Parmalat's securities were artificially inflated. Consequently, during the Class Period, investors in Parmalat securities worldwide lost billions of dollars.

446. The March 19, 1998 Parmalat Capital Netherlands B.V. disseminated an offering circular dated March 12, 1998, for the issuance of €281.2 million 1.00% Convertible Bonds, due December 31, 2005.

447. Credit Suisse First Boston (Europe) Limited, an affiliate of CSFB, was one of the managers of the March 1998 offering.

448. The March 12, 1998 offering circular incorporated by reference Parmalat Capital Netherlands B.V.'s financial statements for the period of November 5, 1997 (the date of its incorporation) to December 31, 1997.

B. Parmalat's Statements to the Press Regarding 1998 Results, the 1998 Annual Report and the March 1999 Notes Offering

449. On November 30, 1998, as reported in *Dow Jones Newswire*, Tonna heralded Parmalat's expected fiscal year 1998 performance as positive. Based on Tonna's statements, *Dow Jones Newswire* reported that Parmalat would generate a 20% return on capital within five years, a 30% or greater increase from the then current levels, and that:

Dairy and food products group Parmalat Finanziaria S.p.A. (LPFS) expects stable operating profit in 1998 from 1997 despite a hefty set of acquisitions made during the latest year.

Parmalat Financial Director Fausto Tonna told analysts at [a] meeting here that the effects of its expansion weren't as onerous as originally thought and thus wouldn't weigh on operating profit.

Parmalat's 1997 operating profit rose to ITL529 billion from ITL470 billion in 1996.

Over the next five years, Parmalat aims to improve its return on capital employed to 20% from 15%, Tonna also said.

450. On February 3, 1999, Parmalat highlighted increased profits and business growth through acquisitions. In a news story titled "Parmalat to Buy Cirio Unit; 2nd Half Pretax Up 40%" dated February 3, 1999, *Bloomberg News* reported that:

Parmalat Finanziaria S.p.A., the world's largest dairy company, said it will buy the dairy unit of its main Italian rival, Cirio S.p.A., for 780 billion lire (\$458 million) in cash and assumed debt, consolidating its hold over the Italian market for milk, cheeses and yogurt.

Parmalat, which also implied second-half pretax profit rose 40 percent to 273 billion lire, said it plans to sell as much as 500 million euros (\$565 million) in bonds convertible into common stock through Morgan Stanley Dean Witter & Co. to finance the acquisition.

* * *

Parmalat said 1998 pretax profit rose at least 38 percent to "above" 500 billion lire from 362 billion lire in 1997. In 1998, sales rose 38 percent to 9.8 trillion lire; though Parmalat's profitability as a percentage of sales decreased slightly to 10.3 percent.

* * *

The acquisition of Cirio, which had sales of about 1.3 trillion lire last year, will help Parmalat increase its profitability, the Parma-based company said, thanks to Cirio's structure that will be easy to integrate.

451. Parmalat spread news of its February 3, 1999 financial release worldwide. On February 18, 1999, *Dairy Markets Weekly* reported that:

Parmalat has reported a 38% rise in 1998 consolidated sales to ITL 9.828 trillion. The company also said provisional figures point to consolidated pre-tax profits in excess of ITL 500 billion compared with ITL 362bn in 1997. Gross operating margin rose 35% to ITL 1.012 trillion, with net operating margin up 31% to ITL 693bn. Net financial debt increased to ITL 3.4 trillion from ITL 1.555 trillion in 1997.

452. Parmalat Finance Corporation B.V. disseminated an offering circular, dated March 26, 1999, for the issuance of €300 million 5.50% Guaranteed Notes, due March 30, 2009. Credit Suisse First Boston (Europe) Limited, an affiliate of CSFB, was one of the co-lead managers and BNL was a co-manager of the March 1999 Offering.

453. The March 26, 1999 bond offering materials incorporated by reference Parmalat Finance Corporation B.V.'s audited non-consolidated financial statements for the year ended December 31, 1997 and the summary unaudited semi-annual financial statements for the six month period ended June 30, 1998. The offering materials also incorporated by reference the audited consolidated and non-consolidated financial statements of Parmalat S.p.A. for the year ended December 31, 1997 and Parmalat S.p.A.'s unaudited consolidated financial statements for the six month period ended June 30, 1998.

454. On April 14, 1999, Parmalat again confirmed the Company's positive year-end results for 1998, in a story by the *Dow Jones Newswire*, stating:

Italian food and dairy group Parmalat Finanziaria S.p.A. (I.PFS) said Wednesday that consolidated net profit in 1998 rose to ITL262 billion from ITL203 billion in the year earlier as revenues jumped to ITL9.833 trillion from ITL7.120 trillion.

Parmalat said operating profit rose to ITL719 billion in 1998, compared with ITL529 billion in the year earlier period.

Parmalat also said that net debt rose to ITL3.418 trillion from ITL1.555 trillion in 1997 due to significant acquisitions made during the course of the year.

The company said that if the full consolidation of its 1998 acquisitions could have been taken into account, 1998 revenues would have been ITL11.4 trillion.

The April 14 article also described Parmalat's acquisition of other companies, including U.S. dairy company Sunny Dale.

455. On or about April 22, 1999, Parmalat issued its Annual Report for the fiscal year ended December 31, 1998 (“1998AR”), which contained the Company’s year-end financial statements, the consolidated financial statements of the Parmalat Group, and the Board of Directors’ Annual Report. In the 1998AR, Parmalat reported consolidated sales of €5,078,130,000, gross operating margin (EBITDA) of €536,683,000, net operating margin (EBIT) of €371,580,000, and shareholders’ equity of €1,277,000,000.

456. Addressing the Company’s shareholders, Parmalat stated:

During the 1998 financial year, the Group carried out significant acquisitions in several countries, representing another step forward in Parmalat’s international expansion program and, in particular, strengthening the Group’s presence in the African continent and in Australia, a Country which may be a potentially important base for new developments in Southeast Asia.

In 1998 consolidated sales grew by 38%, from 7,120 billion Lire for the previous period to 9,833 billion, the gross operating margin was also up by 38%, from 751 billion to 1,039 billion, the net operating margin increased by 36%, from 528 to 719 billion.

The Group therefore remained generally on target and confirmed leadership in the most important sectors of operation. Consolidated net earnings for the Group reached 262 billion up by 29% on the 203 billion for the 1997 financial year. Total net earnings amounted to 322 billion, compared to 208 billion for the previous period, with an increase of 55%.

457. Parmalat reported total assets of €1,700,417,282 and total liabilities of €35,558,353 as of December 31, 1998. It also reported Group consolidated total assets of €7,344,848,000 and total liabilities of €5,373,382,000.

458. In the 1998AR, Parmalat provided a breakdown of the Parmalat Group’s net debt in the form of the following chart:

	December 31, 1998 (billion Lire)	December 31, 1997 (billion Lire)	December 31, 1998 (million Euro)
<i>Bank and debenture loans</i>			
Repayable within the year	1,086.731	1,104.578	561.250
Repayable beyond one and within 5 years	2,700.943	2,486.387	1,394.921
Repayable beyond 5 years	3,515.016	1,114.119	1,815.354

Total bank and debenture loans	7,302.690	4,705.084	3,771.525
<i>Current assets</i>			
Liquid assets	2,190.037	1,952.506	1,131.060
Current financial assets	1,371.782	907.209	708.466
Other securities included in non-current investments	322.731	290.034	166.677
Total available resources	3,884.550	3,149.749	2,006.203
Total borrowing net of available resources	3,418.140	1,555.335	1,765.322

459. Parmalat assured investors that the Company's debt was manageable, stating in the 1998AR:

Despite significant outlays for investments, Parmalat managed to maintain a good sales/net interest ratio because the own funds/borrowing ratio remained at satisfactory levels. Moreover, during the year the Company was helped by the significant decline in interest rates. During the past twelve months the Group has taken advantage of the opportunities offered by the favorable market situation to refinance its debt at better rates and with longer maturities.

Consolidated cash flow . . . was used to cover financial needs determined by technical investments, acquisitions carried out during the period and working capital requirements due to the increase in sales.

460. The Board of Directors also represented that Parmalat's financial statements and the Parmalat Group's consolidated financial statements in the 1998AR had been prepared in accordance with applicable law.

461. The 1998 Parmalat Group consolidated financial statements merely listed Bonlat Financing Corporation as one of the new companies that Parmalat established during 1998 and said no more about that entity.

462. In the Report of the Board of Statutory Auditors, dated May 5, 1999 that Parmalat disseminated to the financial markets, the Statutory Auditors represented that Parmalat's financial statements presented in the 1998AR were prepared in accordance with sound financial and accounting principles, in full compliance with applicable rules and regulations:

[T]he Financial Statements relating to the 1998 period which are presented here for your approval were submitted to us, together with the Board of Directors' Report, within the term set forth in article 2429 of the Italian Civil Code . . .

* * *

In agreement with the auditing company which conducted the audit for the certification of the financial statements, we declare that the balance sheet items correspond to the summarized accounting information, which has been regularly kept according to the principles and practices required by existing legislation.

In conclusion, we consider the financial statements to be generally drawn up using correct accounting principles to determine the worth of the company and the operating results, and in compliance of specific regulations.

We there declare ourselves to be in favour of the approval of same and of the proposed designation of net profit, as expressed by the Board of Directors.

463. The Board of Statutory Auditors issued a separate report on May 5, 1999 on the Parmalat Group's consolidated financial statements for fiscal year 1998 which Parmalat also disseminated to the securities markets. That Report stated that:

The 1998 consolidated financial statements have been submitted to us, together with the Supplementary Notes and the Board of Directors' Report, to be audited with the financial statements for the period, as per article 41 of Decree Law no. 127 dated 9 April 1991.

* * *

The Supplementary Notes prepared by the Board of Directors, attached to the consolidated financial statements, provide a detailed report on the method and area of consolidation and fulfill the specific informative obligations required under existing legislation.

We have verified the regularity of the consolidated financial statements and their correspondence with the accounting entries of the parent company and the information provided by the consolidated companies.

We consider the Directors' Report to adequately guarantee the condition of fairness required by existing regulations.

In this Report, together with the information concerning the performance of the parent company, the overall situation of the companies included in the consolidated financial statements and the trend of operations both generally and as regards individual sectors is also described in detail.

In conclusion, the verifications carried out show that the consolidated financial statements have been drawn up as required by law and according

to correct accounting principles, and that the values expressed therein correspond to the information and accounting and procedural results of the parent company.

464. Grant Thornton certified Parmalat's and the Parmalat Group's fiscal year 1998 financial statements. Grant Thornton's Report on the Group's 1998 consolidated financial statements, dated May 13, 1998 [sic], was signed by Grant Thornton partners Bianchi and Penca.

In it, Grant Thornton made the following representations:

We have audited the consolidated financial statements of Parmalat Finanziaria S.p.A. for the year ended 31st December 1998. We have also certified that the information contained in the directors' report is in agreement with the contents of the consolidated financial statements.

We conducted our audit in accordance with the auditing standards recommended by CONSOB (National Commission for Listed Companies and the Stock Exchange) which included such tests we considered necessary for the purposes of our agreement. With respect to the opinion expressed on the previous year's consolidated financial statements, as required by law, reference is made to our audit report thereon dated 12th June 1998.

The financial statements of a number of subsidiaries which represent respectively 30% of aggregate total assets and 22% of aggregate sales, were examined by other auditors who furnished us with their reports. Our opinion, expressed in this report, with respect to the values relating to these companies included in the consolidation, are also based on the work performed by other auditors.

In our opinion, the consolidated financial statements referred to above have been clearly drawn up and give a true and fair view of the state of affairs of the results of operations of the company and its subsidiaries, in conformity with generally accepted accounting principles concerning consolidated financial statements. Consequently we issue our auditors' certificate on the consolidated financial statements of Parmalat Finanziaria S.p.A. Group as at 31st December 1998.

465. Parmalat also disseminated to the securities markets Grant Thornton's Report dated May 13, 1999 certifying Parmalat's fiscal year 1998 financial statements. The Report was also signed by Grant Thornton partners Bianchi and Penca. In it, Grant Thornton represented that:

We have audited the financial statements of Parmalat Finanziaria S.p.A. for the year ended 31st December 1998. We have also verified that the information contained in the directors' report is in agreement with the contents of the financial statements.

We conducted our audit in accordance with the auditing standards recommended by CONSOB (National Commission for Listed Companies and the Stock Exchange) which included such tests we considered necessary for the purposes of our engagement. With respect to the opinion expressed on the previous year's financial statements which are presented for comparative purposes, as required by law, reference is made to our audit report thereon dated 12th June 1998.

In our opinion, the financial statements referred to above have been clearly drawn up and give a true and fair view of the company's state of affairs and of the results of its operations, in conformity with generally accepted accounting principles. Consequently we issue our auditors' certificate on the financial statements of Parmalat Finanziaria S.p.A. as at 31st December 1998.

The company holds majority interests and accordingly has prepared group financial statements. This document which is supplementary to the company's financial statements, and is prepared in order to present more accurate information on the economic and financial position of the company and its subsidiaries. We have audited the consolidated financial statements which are enclosed herewith, together the relevant audit report.

466. In that Report, the Auditors dismissed a shareholder complaint that Parmalat had not provided any information about transactions with related parties, stating that the shareholder's claims were unfounded:

Lastly, with reference to the complaint brought by shareholder Fabris, under article 2408 of the Civil Code, during the last meeting of the shareholders to approve the financial statements, the Board of Auditors informs they immediately looked into the claim made, i.e. that "the Chairman considered part of his intervention to be unrelated to the agenda and to the discussion concerning the financial statements" and "the total lack of information and news regarding operations carried out with correlated parties" and concluded that the accusations made towards the Board of Directors were unfounded.

467. At the Company's Annual General Meeting held on June 1, 1999, Parmalat's shareholders voted to approve the 1998 financial statements and the Board of Directors' Reports

on the 1998 financial results. The shareholders also approved the appointment of the Board of Statutory Auditors and its Chairman, Brughera, for another three year term, and the appointment of Deloitte as the new auditors of the Company's financial statements for the next three years. Unbeknownst to Parmalat's shareholders and bondholders, the switch from Grant Thornton to Deloitte was no mere perfunctory act. Rather, as detailed above, it was essential to the continuation of the fraud.

468. The statements made and the financial information disclosed by Parmalat and the other defendants in the March 1999 bond offering materials, the 1998 Annual Report and the articles and other announcements referenced in paragraphs 449 through 467 above, were made with the active participation of the Individual Defendants, Grant Thornton, Zini and Pavia, and the Company's bankers, lenders and financial advisors, including Citigroup and Bank of America, and were all materially false and misleading.

469. The foregoing statements failed to disclose that:

- (a) Parmalat and other defendants had been improperly boosting Parmalat's and the Parmalat Group's revenues and profits, increasing their liquid cash reserves, and decreasing their debt through fictitious sales to offshore entities (including Curcastle, Zilpa, Dancent and Contal), and the subsequent transfer of the debts of those entities (for the fictitious purchases) to shell companies (including Rushmore, Kelton and Carital) whose results of operations were not included in Parmalat's consolidated financial statements;
- (b) Parmalat was further overstating its assets and its operating results (and those of the Parmalat Group) by double billing for product sales to Tanzi family controlled entities and supermarkets and then selling the phony receivables in a securitization program in order to obtain bank financing;
- (c) Parmalat and the Parmalat Group were under-reporting their debt through a secret and improper scheme in which they reclassified their growing debts to third parties as inter-company debts which were washed out in the Company's consolidated financial statements;

- (d) the debt of Parmalat and the Parmalat Group was further underreported as a result of the Company's purported repurchases (and retiring) of bonds, when the Company had done neither; and
- (e) Parmalat and the Parmalat Group had improperly treated other portions of their debt as equity.

470. The Company's financial statements and those of the Parmalat Group, including its subsidiaries' financial statements incorporated by reference included in the March Notes Offering Circular, were also materially false due to their failure to disclose the millions of dollars of Company funds improperly diverted to Tanzi family entities, and the failure to disclose any such related party transactions with the Tanzi family entities. Any distributions to Tanzi entities that were disclosed were falsely recorded on Parmalat's books as a credit owed by the Tanzi entities.

471. These improper practices, and others particularized above, rendered Parmalat's, the Parmalat Group's and the subsidiaries' statements, and the other statements by Parmalat false and misleading because these practices had the effect of materially overstating the assets, revenues, earnings, profits and liquidity of Parmalat and the Parmalat Group while materially understating their debt. As Chiaruttini concluded in her report concerning Parmalat's falsified financial statements, the Company had been falsifying its financial results since 1990.

472. As reported in Chiaruttini's report, Parmalat's total consolidated shareholders' equity of €1,971,466,000 for the year ended December 31, 1998 was overstated by at least €539,876,946, and consolidated EBITDA for that period of €36,683,417 was overstated by at least €196,921,000, and the actual figure should have been €39,762,417.

C. First Quarter 1999 Results

473. On June 2, 1999, *Il Sole 24 Ore*, which was carried on *Global News Wire*, reported that Parmalat's first quarter 1999 results were said to be on target. The Company did not issue a first quarter 1999 report.

D. The June 1999 Notes Offering

474. Parmalat Finance Corporation B.V. disseminated an offering circular, dated June 21, 1999, for the issuance of €100 million 4.625% Guaranteed Notes due June 23, 2004 and €100 million 4% Variable Rate Guaranteed Notes due June 23, 2009.

475. The June 23, 1999 Offering Circular incorporated by reference the audited non-consolidated financial statements of Parmalat Finance Corporation B.V. for the year ended December 31, 1998, and the audited consolidated and non-consolidated financial statements of Parmalat S.p.A. for the year ended December 31, 1998.

E. The August 1999 Notes Offering

476. Parmalat Finance Corporation B.V. disseminated an offering circular, dated August 2, 1999, for the issuance of €25 million 4% Variable Rate Guaranteed Notes due August 3, 2009.

477. The August 2, 1999 offering circular incorporated by reference the audited non-consolidated financial statements of Parmalat Finance Corporation B.V. for the years ended December 31, 1997 and December 31, 1998, and the audited consolidated and non-consolidated financial statements of Parmalat S.p.A. for the years ended December 31, 1997 and December 31, 1998.

478. Parmalat Finance Corporation B.V. disseminated an offering circular, dated August 26, 1999, for the issuance of €90 million 5.50% Guaranteed Notes due March 30, 2009.

These notes were consolidated and formed a single series with the €300 million 5.50% Guaranteed Notes due 2009 issued pursuant to the March 26, 1999 Offering Circular.

479. The August 26, 1999 Offering Circular incorporated by reference the audited non-consolidated financial statements of Parmalat Finance Corporation B.V. for the year ended December 31, 1998 and the audited consolidated and non-consolidated financial statements of Parmalat S.p.A. for the year ended December 31, 1998.

F. The 1999 Six Month Report

480. On September 30, 1999, *AFX European Focus* reported that Parmalat had announced positive first half 1999 financial results, which Parmalat attributed in part to consolidation of its recent acquisitions. Parmalat claimed that full year 1999 operating profit would be higher than in 1998, and that operating margin would be in line with 1998.

481. On or about October 15, 1999, Parmalat disseminated the Board of Directors' Six-Month Report for 1999 ("1999 S-MR"), and the Company's and the Group's financial statements for the period ended June 30, 1999. In the Report, Parmalat represented that the Group had posted "significant growth" for the first six months of 1999, as compared to the corresponding period of 1998, including "increases of 25% in sales, 30% in gross operating margin and 12% in consolidated pre-tax earnings, remaining generally on target, reaffirming and confirming its leadership in the most important areas of operations."

482. The Company stated that its growth was due, in part, to the Company's "strategic program of acquisitions" which allegedly resulted in the increase of sales and revenue. Specifically, Parmalat reported the Group's performance, in relevant part, as follows:

During the first six months of 1999 the Group showed significant growth, also favorably impacted by the consolidation of acquisitions made during the previous financial period.

Development continued in terms of production volumes, but was conditioned number-wise by the effects of the devaluation of the Brazilian currency.

The Group went ahead with its strategic program of acquisitions, expanding its operations in Argentina, the United States and in Italy, with the acquisition, completed after the close of the half year, of Eurolat, the company which had taken over Cirio's milk business. . . .

483. For the Group, Parmalat reported consolidated sales of €2,955,345,000, gross operating margin (EBITDA) of €30,527,000, net operating margin (EBIT) of €17,494,000, and total consolidated shareholders' equity of €2,157,655,000. Parmalat reported total assets of €1,701,406,000 and liabilities of €35,911,000, and Group consolidated total assets of €1,188,635,000 and liabilities of €6,030,980,000.

484. The 1999 S-MR presented an analysis of the Parmalat Group's net debt in the form of the following chart:

(million Euro)	June 30, 1999	December 31, 1998
<i>Bank and debenture loans</i>		
Repayable within one year	932.270	561.250
Repayable within one and five years	1,499.000	1,394.921
Repayable beyond five years	1,790.350	1,815.354
Total bank and debenture loans	4,221.620	3,771.525
<i>Current assets</i>		
Liquid assets	1,017.995	1,131.060
Current financial assets	843.439	708.466
Other securities, included in non-current investments, maturing beyond five years and related to medium and long-term loans	178.360	166.677
Total available resources	2,039.794	2,006.203
Total borrowing net of available resources	2,181.826	1,765.322

485. The Board also stated that the Company's financial statements and the consolidated financial statements for the first half of fiscal year 1999, were prepared in conformity with applicable regulations.

486. In its auditor report dated October 14, 1999, Grant Thornton attested to the accuracy of the financial statements contained in the 1999 S-MR stating that it had reviewed the Company's financial statements in accordance with applicable review standards and that

Parmalat's financial statements conformed to the regulations of CONSOB. Grant Thornton also stated that:

We have reviewed the six-months Report of Parmalat Finanziaria S.p.A. as of June 30, 1999, consisting of the balance sheets, the related statements of income, the accounting and financial footnotes and the group consolidated accounts.

We have also reviewed the accounting and financial reporting matters for the sole purpose of checking the remaining data given in the rest of the interim report.

We conducted our review in accordance with limited review standards as recommended by CONSOB in decree no. 10867 of July 31, 1997.

* * *

On the above basis, we did not acquire knowledge of any significant variations or alterations that should be added to the statements and financial information as identified in paragraph 1 of the present report, in order to achieve conformity with the criteria as set out in CONSOB regulations, for the preparation of six-months report as approved in decree no. 8195 dated June 30, 1994 and subsequent modifications.

G. The September 1999 Notes Offering

487. Parmalat Finance Corporation B.V. disseminated an offering circular, dated September 30, 1999, for the issuance of AUS\$145 million Floating Rate Guaranteed Notes, due June 5, 2001. Parmalat Capital Finance Limited was the sole Manager of the September 1999 notes offering.

488. The September 30, 1999 offering circular incorporated by reference the audited non-consolidated financial statements of Parmalat Finance Corporation B.V. for the year ended December 31, 1998, and the audited consolidated and non-consolidated financial statements of Parmalat S.p.A. for the year ended December 31, 1998.

H. The November 1999 Notes Offering

489. On or about November 10, 1999, according to the PwC Report, Parmalat Capital Finance B.V., through Bank of America, issued \$30 million of 8.80% notes due November 10, 2004, to be privately placed in the U.S.

I. The December 1999 Notes Offering

490. Parmalat Finance Corporation B.V. disseminated an offering circular for the issuance of €325 million 5.25% Guaranteed Notes due December 13, 2002.

491. The offering circular for the December 1999 notes incorporated by reference: the audited non-consolidated financial statements of Parmalat Finance Corporation B.V. for the year ended December 31, 1998; the unaudited semi-annual financial statements of Parmalat Finance Corporation B.V. for the six months ended June 30, 1999; the audited consolidated and non-consolidated financial statements of Parmalat S.p.A. for the year ended December 31, 1998; and, the unaudited consolidated semi-annual financial statements of Parmalat S.p.A. for the six months ended June 30, 1999.

492. On or about December 17, 1999, according to the PwC Report, Food Holdings Ltd. through Bank of America, issued \$130 million of 8.43% notes and \$20 million of 0% notes due December 17, 2003, to be privately placed in the U.S.

493. A private placement memorandum for these notes was disseminated to investors in June 1999. The memorandum included Parmalat S.p.A.'s falsified audited financial data as of year-end 1998. An Investor Presentation also disseminated to investors in August 1999, included Parmalat Finanziaria's financial data.

J. The February 2000 Notes Offerings

494. Parmalat Finance Corporation B.V. disseminated an offering circular, dated February 2, 2000, for the issuance of €500 million 6.25% Guaranteed Notes due February 7, 2005.

495. The February 2, 2000 offering circular incorporated by reference: the audited non-consolidated financial statements of Parmalat Finance Corporation B.V. for the year ended December 31, 1998; the unaudited semi-annual financial statements of Parmalat Finance Corporation B.V. for the six months ended June 30, 1999; the audited consolidated and non-consolidated financial statements of Parmalat S.p.A. for the year ended December 31, 1998; and, the unaudited consolidated semi-annual financial statements of Parmalat S.p.A. for the six months ended June 30, 1999.

496. Parmalat Finance Corporation B.V. also disseminated an offering circular, dated February 23, 2000, for the issuance of €75 million 5.25% Guaranteed Notes due December 13, 2002 which were to be consolidated and formed a single series with the €325 million 5.25% Guaranteed Notes due 2002 issued in December 1999.

497. The February 23, 2000 offering circular incorporated by reference: the audited non-consolidated financial statements of Parmalat Finance Corporation B.V. for the year ended December 31, 1998; the unaudited semi-annual financial statements of Parmalat Finance Corporation B.V. for the six months ended June 30, 1999; the audited consolidated and non-consolidated financial statements of Parmalat S.p.A. for the year ended December 31, 1998; and, the unaudited consolidated semi-annual financial statements of Parmalat S.p.A. for the six months ended June 30, 1999.

K. The March 2000 Notes Offering

498. Parmalat Finance Corporation B.V. disseminated an offering circular, dated March 13, 2000, for the issuance of €150 million 6.25% Guaranteed Notes due February 7, 2005 which were to be consolidated and formed a single series with the €500 million 6.25% Guaranteed Notes due 2005 issued pursuant to the February 2, 2000 offering circular.

499. The March 13, 2000 offering circular incorporated by reference: the audited non-consolidated financial statements of Parmalat Finance Corporation B.V. for the year ended December 31, 1998; the unaudited semi-annual financial statements of Parmalat Finance Corporation B.V. for the six months ended June 30, 1999; the audited consolidated and non-consolidated financial statements of Parmalat S.p.A. for the year ended December 31, 1998; and, the unaudited consolidated semi-annual financial statements of Parmalat S.p.A. for the six months ended June 30, 1999.

L. The 1999 Annual Report

500. Parmalat continued to report growth in revenue and predicted future improvements in profitability. On or about April 18, 2000, Parmalat announced at a press conference a 28% increase in net profit for fiscal year 1999, as compared to fiscal year 1998, and discussed the Company's acquisition program. Worldwide news services reported the positive results. For example, the *Dow Jones International Newswire* reported statements by defendants Tonna and Tanzi:

Parmalat said earnings were in line with targets despite economic troubles in Brazil, where the company has large operations.

Revenue growth came largely from the consolidation of acquisitions, while internal growth was about 3.7%. Newly acquired activity brought in ITL1.175 trillion in revenue.

* * *

For 2000, Parmalat predicted flat internal revenue growth, but said further consolidation of newly acquired businesses will benefit earnings. Operating profitability should improve, Parmalat said.

501. *Bloomberg News* also issued a news report, titled “Parmalat 1999 Profit Rose as Takeovers Lifted Sales,” dated April 18, 2000, which stated that the Company’s growth was fueled by its acquisitions. According to the *Bloomberg News* article, the Company was seeking shareholder approval to issue more stock and debt to further fund new acquisitions. Specifically, the article mentioned:

Parmalat Finanziaria S.p.A., Italy’s largest dairy company, said 1999 profit rose 28 percent, boosted by revenue from the dairy business it bought from Cirio S.p.A. and by other recent acquisitions.

Profit rose to 337 billion lire, or 225.6 lire a share, from 262 billion lire, or 176.9 lire a share, in 1998. Sales rose 25 percent to 12.3 trillion lire. The company said it will pay a dividend of 22 lire a share, up from 20 lire a share last year.

“What made the sales go up so much is the first time consolidation of the milk business of Cirio,” [Parmalat’s Italian rival, a portion of which Parmalat acquired] said Beatrice Reich, an analyst at Bank Vontobel in Zurich. “Their growth is especially by acquisitions.”

The company’s earnings exceeded Reich’s full-year earnings estimate of 154 million euros.

Parmalat has boosted profit in recent years with takeovers such as that of rival Cirio’s dairy unit. In the second half of the year, the dairy and food company also benefited from gradual recoveries in Europe and South America, two of its main markets.

* * *

Parmalat also said its board will seek permission from shareholders to sell as much as 300 billion lire par value of additional stock and 500 billion lire of convertible bonds during the next five years . . . Parmalat could use the proceeds of the additional stock and bond sales for acquisitions or joint ventures, said Parmalat Chief Financial Officer Fausto Tonna.

502. On or about April 18, 2000, Parmalat disseminated its Annual Report for the year ended December 31, 1999 (“1999AR”), containing the Company’s financial statements, the

Group's consolidated financial statements and the Board of Directors' Annual Report. For the fiscal year, Parmalat reported consolidated sales of €6,357,366,000, gross operating margin (EBITDA) of €722,155,000, net operating margin (EBIT) of €462,828,000, and total shareholders' equity of €2,488,814,000.

503. The Company reported total assets of €1,767,438,342 and total liabilities of €875,303,696, and Group consolidated total assets of €9,415,310,000, total liabilities of €9,926,496,000, and liquid assets of €1,325,987,000 as of December 31, 1999.

504. The Board of Directors summarized Parmalat's financial results and discussed its "strategic" program of acquisitions which it claimed would continue to contribute to future revenue growth:

[D]uring the 1999 financial year the Group has shown considerable growth, mainly due to the consolidation of the most recent acquisitions in Italy and abroad.

* * *

The Group continued to pursue its strategic program of acquisitions strengthening operations in Italy, with the acquisition of Eurolat, the Company which took over Cirio's milk business, in Argentina and in the United States

In 1999 consolidated sales were up by 25%, from ITL9,833 billion a year earlier to ITL12,310 billion, gross operating margin was up by 35%, from ITL1,039 billion to ITL1,398 billion, net operating margin grew by 25%, from ITL719 to ITL896 billion.

The Group, although impacted by the negative economic situation in Brazil, overall achieved the planned objectives and confirmed leadership in the most important sectors of operation. Group consolidated net earnings reached ITL337 billion, showing an increase of 28% compared to ITL262 billion in 1998. Total net earnings amounted to ITL380 billion, against ITL322 billion a year earlier.

505. The 1999AR included the Company's forecast that the Group's fiscal 2000 consolidated sales would be positively affected by the acquisitions carried out during the previous period and not consolidated for the full year. It also stated that internal growth should

remain in line with that for the 1999 financial year. The Company concluded that consolidated operating profitability should show improvement over the prior period.

506. According to the 1999AR, “[d]espite the significant investments carried out, Parmalat has managed to maintain a good sales/net interest ratio, since the own funds/borrowing ratio has remained at satisfactory levels. Moreover, during the year the Company was helped by the significant decline in interest rates. During the period the Group made good use of market opportunities to refinance the debt at advantageous conditions.”

507. The Company also presented the Group’s net debt in the form of the following chart:

(million Euro)	December 31, 1999	December 31, 1998
<i>Bank and debenture loans</i>		
Repayable within the year	982.496	561.250
Repayable beyond one and within 5 years	1,923.924	1,394.921
Repayable beyond 5 years	1,674.674	1,815.354
Total bank and debenture loans	4,581.094	3,771.525
<i>Current assets</i>		
Liquid assets	1,325.987	1,131.060
Current financial assets	937.229	708.466
Other securities included in non-current investments	35.902	166.677
Total available resources	2,299.118	2,006.203
Total borrowing net of available resources	2,281.976	1,765.322

508. In the 1999AR, Parmalat assured investors that the Company’s and the Group’s consolidated 1999 financial statements were prepared in compliance with the Italian Civil Code and the regulations of CONSOB.

509. The 1999AR described the involvement of financial institutions in underwriting the Company’s debt offerings, promoting the sale of debt securities to Parmalat’s institutional shareholders, and selling ownership stakes in Parmalat affiliates back to Parmalat. The 1999AR described Bank of America’s role in raising funds for Parmalat as follows:

In December Parmalat Administracao Ltda increased its share capital and opened up the company to a group of North American investors coordinated by Bank of America. The operation raised funds of 300

million US dollars for Parmalat Administracao. The new shareholders have a stake of just over 18% of the Company's capital.

The operation aimed, on the one hand, to strengthen the capital in Brazil, one of the Group's most important markets, and on the other, to achieve the Brazilian Company's listing within four years.

Parmalat Administracao's new shareholders, if by the end of the fourth year the scheduled listing has not been accomplished, will have the option to sell back to the Parmalat Group the shares subscribed during the capital increase. In such case, the cost for Parmalat would be equal to the subscription value paid by the North American investors plus a spread in line with the Group's latest financial operations on the international market.

510. The 1999AR also described an aspect of Parmalat's relationship with Citigroup:

During the second part of the financial period, Parmalat renegotiated terms for the potential acquisition of Citicorp's stake in the capital of the subsidiary Parmalat Canada Limited. The new agreement established that the Parmalat Group could be required, should certain contractually provided conditions occur, to purchase, on or before 10 April 2001, 24.9% of Parmalat Canada Limited held by Citicorp, for the price of 174,123,000 Canadian dollars.

511. The 1999AR did not disclose that the Company was involved in various improper asset transfers to parties dominated and controlled by the Tanzi family. Instead it merely stated:

Transactions with related Companies and parties

In compliance with CONSOB circulars no. 97001574 dated 20 February 1997 and no. 98015375 dated 27 February 1998, we summarize below data as at 31 December 1999 regarding the Group's transactions with related companies and parties.

(Million Lire)	As at 31 December 1999		1999 Financial Period	
	Receivables	Payables	Income	Expenses
HIT Group	4,419	14,871	1,148	3,351

The said transactions, all trade related, refer to services supplied to or rendered by the HIT Group, which operates in the travel and tourism sector. Income mainly concerns supply of our products to hotels belonging to the HIT Group, whereas expenses relate to costs incurred for travel and trips on the part of the staff of consolidated companies.

512. Parmalat publicly touted Parmalat's solid corporate governance mechanisms. For example, Parmalat used the 1999AR to affirmatively state that:

In the course of the financial period the Board of Directors will take steps to proceed with measuring its own system of corporate governance against that recommended by the Code of Self-Regulation for listed companies, drawn up by the "Committee for the Corporate Governance of listed companies" and incorporated by Borsa Italiana spa within their regulatory framework.

The Board of Directors, during the Shareholders' Meeting to approve the financial statements that will be held in 2001, will report on the outcome of these comparisons providing information on its own system of corporate governance.

513. The May 17, 2000 Report of the Board of Statutory Auditors that Parmalat disseminated to the securities markets in conjunction with its financial statements and Board of Directors' Report for fiscal year 1999 stated, in relevant part, that the Statutory Auditors had "verified the adequacy of the administrative/accounting and internal audit systems with a view to analyzing and assessing the reliability of the company's information systems and the effectiveness and efficiency of the systems for controlling and protecting assets, supported in this by [Deloitte]". The Statutory Auditors stated that they had "verified compliance with legal provisions concerning the drawing up and layout of the statutory and consolidated financial statements and the directors' report through direct checks and information received from [Deloitte]." In their Report, the Statutory Auditors also represented that they attended all of Board of Directors' meetings and the Executive Committee's meetings, ensuring that the most important financial and economic operations complied with the law. They further represented that they met with Deloitte and senior management to exchange relevant information about the administration of Parmalat's operations.

514. For the audit of the Company's 1999 financial reports, Deloitte had replaced Grant Thornton as Parmalat's auditor. Although Grant Thornton no longer audited Parmalat's

consolidated financial statements, it was engaged by the Company to audit the 1999 financial statements of approximately seventeen Parmalat subsidiaries, including Bonlat. On or about May 10, 2000, Deloitte issued two reports, which Parmalat disseminated to the investment community, one on Parmalat's financial statements for fiscal year 1999 and one on the Parmalat Group's consolidated financial statements for fiscal year 1999. The reports were signed by Adolfo Mamoli for Deloitte & Touche S.p.A. In both reports, Deloitte certified that it conducted its audit in accordance with applicable auditing standards and issued its opinion that the "financial statements present fairly the financial position of the Company as of December 31, 1999 and the results of its operations for the year then ended"

515. On June 5, 2000, Parmalat's shareholders voted to approve the fiscal 1999 financial statements that had been previously approved by the Board of Directors.

516. The statements made and the financial information disclosed by Parmalat, in the announcement of the results for the first quarter of fiscal 1999 through the 1999 Annual Report, including the bond offering materials disseminated from March 1999 through March 2000, referenced in paragraphs 473-515, above, were made by Parmalat and the Individual Defendants, with the active participation of Grant Thornton, Deloitte, Zini and Pavia, and the Company's bankers, lenders and financial advisors, including Citigroup and Bank of America, and were materially false and misleading.

517. These defendants knew that Parmalat had continued its use of a host of improper accounting practices to artificially include the financial results of all of the entities comprising the Parmalat Group. Specifically, prior to 1999, the Company improperly boosted its revenues, profits, cash reserves, and assets through fictitious sales funneled through Curcastle, Zilpa, Dancent, Contal, Rushmore, Kelton and Carital – all of which were related entities of Parmalat.

However, beginning in 1999, those activities (and the related improper accounting) were funneled primarily through Bonlat, an entity created by Grant Thornton for the specific purpose of effecting these fraudulent transactions.

518. At the end of 1999, unbeknownst to investors, Parmalat and the Parmalat Group also began to artificially improve their balance sheets through the use of another SPE named Buconero, which was created by Citigroup and which means “black hole” in Italian. Through this shell company, Parmalat and the Parmalat Group improperly recorded loans as equity on their balance sheets so as to conceal Parmalat’s mounting debt.

519. During the same time when Parmalat and other defendants were artificially inflating Parmalat’s revenues, profits, cash reserves and assets, the Company was also experiencing millions of dollars in losses throughout its worldwide operations, especially in South America. The Company’s representations about growth in its operations in Brazil and elsewhere in South America were false, as those operations were losing millions of dollars each year. Such a serious decline in the South American operations was material to Parmalat’s global performance, as the South American operations comprised a significant percentage of the Company’s total revenues. This material fact was never disclosed to investors.

520. Further, in order to hide the Company’s growing losses in South America and elsewhere, and the Tanzi family’s theft of Company funds from its investors, throughout 1999, the Company and the Individual Defendants, with the active participation of the Company’s auditors and financial advisors named herein as defendants, employed a number of schemes to overstate the Company’s financial statements. These included, without limitation, Parmalat’s secret and fraudulent double billing and securitization scheme, which allowed Parmalat and other defendants to overstate the Company’s assets. The Company also raised funds through the

factoring of stale invoices, which had already been paid, and it falsely reported millions of dollars of sales of powdered milk to Cuba (using the Bonlat and Camfield shell companies). These schemes resulted in a \$620 million overstatement of the Company's revenues and assets in 1999.

521. Also throughout 1999, the defendants perpetuated other aspects of the fraudulent scheme, including the secret and improper scheme to dissolve corporate debts through a reclassification of those debts as inter-company debts, the false treatment of debt as equity, the recording of bond repurchases (and the retiring of those bonds) when those repurchases had not occurred, and the Company's secret and improper transfers of Company funds to Tanzi family entities.

522. Parmalat, certain of the Individual Defendants, Zini, Pavia and other defendants knew that these improper transactions and the related improper accounting were not disclosed to investors, and that they rendered Parmalat's financial statements, the Parmalat Group's consolidated financial statements, including those incorporated into the Company's bond offering materials issued from March 1999 through March 2000, and all the public statements by the Company materially false and misleading.

523. Indeed, as reported in a Chiaruttini report, Parmalat's total consolidated shareholders' equity for the year ended December 31, 1999, of €2,488,814,576 was overstated by €1,979,894,818, and consolidated EBITDA for that period of €722,155,000 was overstated by €288,011,000, and the actual figure shall have been no more than €434,144,000.

M. The 2000 First Quarter Report

524. On May 15, 2000, the Company issued its "Directors' Report for the First Quarter 2000 of the Financial Period" for the period ended March 31, 2000 ("DR1Q00"), reporting on the positive first quarter 2000 results. News services, including, *AFX European Focus*, also

reported that day on Parmalat's first quarter year 2000 results. The DR1Q00 reported consolidated sales of €1,664,663,000, gross operating margin (EBITDA) of €190,403,000, adjusted net operating margin (EBIT) of €123,291,000, and total consolidated shareholders' equity of €2.652 million.

525. The press release and the DR1Q00 provided the Company's analysis of net debt in the form of the following chart:

(thousand Euro)	31 March 2000	31 December 1999
<i>Bank and debenture loans</i>		
Short term	943,076	982,496
Medium term	4,101,757	3,598,598
Total bank and debenture loans	5,044,833	4,581,094
<i>Liquid assets</i>		
Short term	2,777,528	2,263,216
Medium term	35,528	35,902
Total liquid assets	2,813,056	2,299,118
Total borrowing net of available resources	2,231,777	2,281,976

Parmalat also falsely stated in the DR1Q00 and in the press release that the Group's "net financial position has remained substantially in line with the position as at 31 December 1999. The cash-flow generated by operations was used to cover financial needs arising from technical investments and working capital requirements."

526. An article in *Dairy Markets Weekly*, published on or about May 18, 2000, reported on the increase in sales by 25% in 1999, and on the Company's announcement that its earnings were in line with targets despite economic troubles in Brazil where Parmalat conducted significant operations. According to the article, the Company attributed revenue growth "largely from consolidation of acquisitions, while internal growth was around 3.7%." The article further noted that Parmalat was looking for potential acquisitions in international markets.

527. On June 5, 2000, *AFX European Focus* reported that Parmalat's Chairman, Defendant Tanzi, said that the Company expected to reinforce its position in all countries in which it was then operating and that growth in 2000, would be "exactly" in line with forecasts.

528. On or about June 8, 2000, *Dairy Markets Weekly* repeated Parmalat's announcement in its first quarter 2000 disclosures that internal sales growth would be in line with the 3.7% reported in fiscal 1999, and that full year 2000 consolidated turnover would be boosted by the consolidation of a number of acquisitions made in 1999, but not fully included in the fiscal year 1999 results.

529. A June 19, 2000, article in *La Repubblica* reported that Parmalat had decided to stop its expansion following its recent acquisition campaign, and that management had decided to focus on revenues, with the goal of increasing the rate of return on sales. It reported that Parmalat would consolidate its leadership in part with increased capital through additional bonds and new shares.

N. The June 2000 Notes Offerings

530. Parmalat Netherlands B.V. issued JPY30 billion 3.65% notes due June 1, 2020. According to Bloomberg L.P., these notes were issued June 1, 2000.

531. Parmalat Finance Corporation B.V. also disseminated an offering circular, dated June 6, 2000, for the issuance of €100 million 6% Guaranteed Notes due December 8, 2003.

532. The June 6, 2000 offering circular incorporated by reference the audited non-consolidated financial statements of Parmalat Finance Corporation B.V. for the year ended December 31, 1999, and the audited consolidated financial statements of Parmalat S.p.A. for the year ended December 31, 1999.

533. Parmalat Finance Corporation B.V. also disseminated a supplemental offering circular dated June 29, 2000 for the issuance of €50 million 6% Guaranteed Notes due December 8, 2003, which were to be consolidated with and formed a single series with the €100 million 6% Guaranteed Notes due 2003 issued pursuant to the June 6, 2000 offering circular.

O. The September 2000 Offering

534. On or about September 14, 2000, according to the PwC Report, Parmalat Participacoes do Brasil Limitada through Bank of America, issued \$75 million of LIBOR 6M notes due July 5, 2004 to be privately placed in the U.S.

P. The 2000 Six Month Report

535. On or about September 12, 2000, Parmalat issued a statement concerning its results for the first half of 2000, as reported in a *Bloomberg News* story titled "Parmalat 1st-Half Pretax Profit Rises 27% on Acquisitions." The article stated that:

Pretax profit rose to 167 million euros (\$144 million) from 132 million euros as sales increased 17 percent to 3.5 billion. Parmalat said it agreed to buy MA Holding, a U.S. biscuit maker that produces the Mother's and Archway brands, for \$250 million.

536. On or about September 12, 2000, the Company issued the Board of Directors' Six-Month Report for the first six months of 2000 ended June 30, 2000 ("HYR2000"), which included the Company's financial statements and the Parmalat Group's consolidated financial statement for that period. In the HYR2000 Report, the Company represented that the accounting principles applied were in conformity with Italian and international accounting standards.

537. In the HYR2000 Report, the Company also stated that during the first six months of 2000, consolidated sales were up by 17%, gross operating margin was up by 23%, and consolidated tax earnings were up by 27%, compared to the corresponding period of the previous year. The Company reported consolidated sales of €3,454,318,000, gross operating margin (EBITDA) of €405,530,000 and adjusted net operating margin (EBIT) of €256,171,000 for the first six months of 2000. Consolidated shareholders' equity as of June 30, 2000, including pre-tax earnings for the half-year, was €2,628,000,000. Parmalat also reported that the positive trend in operating profitability, recorded in 1999, continued during that period and that the trend

derived from the “planned streamlining of existing business operations and the contribution of new high value products.”

538. The Company stated that the Group’s operating cash flow was €36 million, which was partially used to cover financial needs for investments and working capital requirements. The HYR2000 also reported net debt in the form of the following chart:

(Euro million)	30 June 2000	31 December 1999
<i>Bank and debenture loans</i>		
Repayable within one year	893.665	982.496
Repayable beyond one and within five years	2,780.095	1,923.924
Repayable beyond five years	1,472.588	1,674.674
Total bank and debenture loans	5,146.348	4,581.094
<i>Current assets</i>		
Liquid assets	2,031.554	1,325.987
Current financial assets	855.433	937.229
Other securities, included in non-current investments	38.004	35.902
Total available resources	2,924.991	2,299.118
Total borrowing net of available resources	2,221.357	2,281.976

539. Parmalat reported total consolidated assets as of June 30, 2000, of €10,153,217,000 and total consolidated liabilities of €7,524,970,000. The Company itself had total assets of €1,796,839,000 and total liabilities of €91,645,000.

540. With respect to the Company’s year-end forecasts, the HYR2000 stated that the organic growth for the Group, in terms of volume, and consolidated operating profitability were expected to remain in line with that achieved during the first half of the year.

541. On or about October 6, 2000, Deloitte issued its “Auditors’ Review Report on the Interim Financial Information for the Six Months Ended June 30, 2000”, which Parmalat disseminated to the investment community, wherein Deloitte stated that “[b]ased on our review we are not aware of any material modifications that should be made to the interim financial information.”

Q. 2000 Third Quarter Report

542. On or about November 14, 2000, Parmalat issued a Directors' Report for the Third Quarter 2000 ended September 30, 2000 ("DR3Q00"). On that same day, news services, including *AFX European Focus*, reported on the Company's positive financial results for the nine month period.

543. In the DR3Q00, the Company reported consolidated sales for the quarter of €1,917,238,000, gross operating margin (EBITDA) of €224,142,000 and net operating margin (EBIT) of €39,773,000. Total consolidated net equity for the nine months ended September 30, 2000, was €2.913 billion.

544. The DR3Q00 also reported additional financial information on the Group's net financial position as of September 30, 2000, in the form of a chart as follows:

(thousand Euro)	30 September 2000
<i>Bank and debenture loans</i>	
Short term	787,760
Medium term	4,261,959
Total bank and debenture loans	5,049,719
<i>Liquid Assets</i>	
Short Term	2,838,295
Medium Term	38,275
Total liquid assets	2,876,570
Total borrowing net of available resources	2,173,149

545. The DR3Q00 further noted that "during the period 1 July - 30 September 2000 organic growth in terms of volumes remained basically in line with the 3.5% recorded for the first six months of the current year."

R. The October 2000 Notes Offering

546. Parmalat Finance Corporation B.V. disseminated an offering circular, dated October 20, 2000, for the issuance of €150 million 7% Guaranteed Notes due October 23, 2007.

547. The October 20, 2000 offering circular incorporated by reference: the audited non-consolidated financial statements of Parmalat Finance Corporation B.V. for the years ended

December 31, 1999, December 31, 1998 and the unaudited semi-annual financial statements of Parmalat Finance Corporation B.V. for the six months ended June 30, 2000; the audited consolidated and non-consolidated financial statements of Parmalat S.p.A. for the years ended December 31, 1999, December 31, 1998; and the unaudited consolidated semi-annual financial statements of Parmalat S.p.A. for the six months ended June 30, 2000.

548. On or about October 31, 2000, according to the PwC Report, Parmalat Dairy & Bakery Inc. through Bank of America, issued \$40 million of 8.09% note due October 31, 2005, to be privately placed in the U.S.

549. On or about October 31, 2000, according to the PwC Report, Parmalat Dairy & Bakery Inc. through Bank of America, issued \$50 million of 8.23% notes due October 31, 2007, to be privately placed in the U.S.

550. On or about October 31, 2000, according to the PwC Report, Parmalat Dairy & Bakery Inc. through Bank of America, issued \$50 million of 8.38% notes due October 31, 2000 to be privately placed in the U.S.

551. On or about October 31, 2000, according to the PwC Report, Parmalat Dairy & Bakery Inc. through Bank of America, issued \$80 million of 8.63% notes due October 31, 2015 to be privately placed in the U.S.

552. On or about October 31, 2000, according to the PwC Report, Parmalat Dairy & Bakery Inc. through Bank of America, issued \$35 million of LIBOR 3M notes due October 31, 2010 to be privately placed in the U.S.

553. On or about October 31, 2000, according to the PwC Report, Parmalat Dairy & Bakery Inc. through Bank of America, issued \$6.1 million of 7.53% notes due October 31, 2007 to be privately placed in the U.S.

554. On or about October 31, 2000, according to the PwC Report, Parmalat Dairy & Bakery Inc. through Bank of America, issued \$11.4 million of 8.00% notes due October 31, 2015 to be privately placed in the U.S.

S. The February 2001 Notes And Bond Offerings

555. Parmalat Finance Corporation B.V. disseminated an offering circular, dated February 5, 2001, for the issuance of €500 million 6% Guaranteed Notes due February 6, 2006.

556. The February 5, 2001 offering circular incorporated by reference: the audited non-consolidated financial statements of Parmalat Finance Corporation B.V. for the years ended December 31, 1999 and 1998; the unaudited semi-annual financial statements of Parmalat Finance Corporation B.V. for the six months ended June 30, 2000; the audited consolidated and non-consolidated financial statements of Parmalat S.p.A. for the years ended December 31, 1999 and December 31, 1998; and, the unaudited consolidated semi-annual financial statements of Parmalat S.p.A. for the six months ended June 30, 2000.

557. Parmalat Netherlands B.V. disseminated an offering memorandum, dated February 27, 2001, for an issuance of €350 million 0.875% Guaranteed Convertible Bonds due June 30, 2021.

558. The February 27, 2001 offering memorandum incorporated by reference the audited consolidated financial statements of Parmalat S.p.A. for the fiscal years ended December 31, 1998 and December 31, 1999; the non-consolidated financial statements of Parmalat S.p.A. for the fiscal years ended December 31, 1998 and December 31, 1999; the consolidated financial statements of Parmalat S.p.A. for the six months ended June 30, 2000; the audited financial statements of Parmalat Netherlands B.V. for the fiscal years ended December 31, 1998 and December 31, 1999; the audited consolidated financial statements of Parmalat Finanziaria for the

fiscal years ended December 31, 1998 and December 31, 1999; and the consolidated financial statements of Parmalat Finanziaria for the six months ended June 30, 1999 and June 30, 2000.

559. Parmalat Finance Corporation B.V. issued ¥2 billion 3.65% notes due June 1, 2020.

T. The 2000 Annual Report

560. On or about March 30, 2001, the Company issued a press release detailing its fiscal year 2000 performance and containing the Company's financial statements for that fiscal year. The press release stated:

Today's meeting of the Board of Directors of Parmalat Finanziaria S.p.A., chaired by Cav. Lav. Calisto Tanzi, examined and approved the statutory and consolidated financial statements as of and for the year ended December 31, 2000.

Consolidated sales rose 15.6% from the ITL 12,310 billion (7.349 million Euros) of the previous year to ITL 14,230 billion. Gross operating profit increased 20.6% from ITL 1,398 billion to ITL 1,686 billion (871 million Euros), whilst net operating profit showed an improvement of 17.6%, rising from ITL 896 billion to ITL 1,054 billion (544 million Euros). Consolidated net profit attributable to the Group reached ITL 377 billion (195 million Euros), representing an increase of 11.9% on the ITL 337 billion of 1999. Total net profit amounted to ITL 456 billion, compared with the ITL 380 billion of the previous year.

* * *

Parmalat Finanziaria - consolidated

The year 2000 saw the Parmalat Group achieve further growth, in part via completion of the acquisitions and expansion strategy adopted over recent years. This has allowed the Group to reinforce its position in major dairy product markets and extend its presence across all continents. 2000 also saw the Group strengthen its competitive position via the continued launch of new products that are better suited to meeting the growing demand for healthy food products from consumers.

The introduction of new products is proving to be the driving force behind a new phase of organic growth for Parmalat, following a decade of growth primarily as a result of acquisitions. In particular, sales of special milk products took off in Italy, where they represent 35% of UHT milk

volumes, and saw growth in other countries around the world, following the launch of such products during the year.

561. The March 30, 2001 press release also noted the following with respect to the Company's issuance of debt to fund its acquisitions:

Funds were raised primarily via the issue of medium-term bonds by foreign subsidiaries. The choice of such instruments allowed the Parmalat Group to borrow at advantageous interest rates, and in some cases at below the average market rates applied to companies with similar credit ratings.

The above issues also financed the Group's acquisitions, thereby avoiding the need for recourse to more costly forms of financing. Foreign exchange and financial transactions were subject to continuous monitoring using the appropriate instruments to hedge exchange rate and interest rate risks.

562. Finally, in the press release, the Company claimed that its sales and growth were in line with expectations, due in part to the consolidation of prior acquisitions:

The performance of the Group's sales during early 2001 was substantially in line with projections. The Group is proceeding with its restructuring of the businesses acquired in the various countries over recent years and the upgrading of production technology.

The Group's consolidated sales for 2001 will reap the benefits, net of the dismissals made during 2000, of the consolidation of the acquisitions made during the previous year and not consolidated across the full financial year, and of the acquisition completed at the beginning of 2001. Organic growth in volume terms is expected to remain in step with the trend seen in 2000, while it is not possible to predict the performance of consolidated revenues, expressed in the Group's unit of currency, given that this will depend on exchange rates over the year. Continuation of the restructuring program should lead to an improvement in consolidated operating profit with respect to 2000.

563. Also on or about March 30, 2001, Parmalat disseminated its fiscal year 2000 financial results in its Fiscal Year 2000 Annual Report ("2000AR") which contained the Board of Directors' Report, the Company's year-end 2000 financial statements and the Group consolidated financial statements for fiscal year 2000. The 2000AR reported consolidated sales of €7,349,000,000, gross operating profit (EBITDA) of €870,764,000, net operating profit

(EBIT) of €544,568,000 for the fiscal year 2000, and total shareholders equity of €2.643 billion, as of December 31, 2000.

564. In the Board of Directors' Report, the Company stated that "[t]he year 2000 saw the Parmalat Group achieve further growth, in part via completion of the acquisitions and expansion strategy adopted over recent years." The Company noted that "the Group's volume sales during early 2001 was substantially in line with projections" and that "[o]rganic growth in volume terms is expected to remain in step with the trend seen in 2000."

565. The Company reported net financial borrowings as of year ended December 31, 2000 in the form of the following chart:

(million Euro)	December 31, 2000	December 31, 1999
<i>Bank and debenture loans</i>		
Repayable within the year	873,344	982,496
Repayable beyond one and within 5 years	2,522,722	1,923,924
Repayable beyond 5 years	1,616,394	1,674,674
Total bank and debenture loans	5,012,460	4,581,094
<i>Current Assets</i>		
Liquid Assets	1,920,455	1,325,987
Current financial assets	782,209	937,229
Other securities included in non-current investments	38,351	35,902
Total available resources	2,741,015	2,299,118
Total borrowing net of available resources	2,271,445	2,281,976

566. The Company stated that liquidity had been invested in financial instruments providing good returns and low risk. The 2000AR further noted that "funds were raised primarily via the issue of medium-term bonds by foreign subsidiaries" which debt issues were used to finance the Company's acquisitions. For example, according to the 2000AR, the Company invested a total of €71 million in new acquisitions and €101 million to increase equity stakes in companies in which Parmalat already had controlling interests. The Company claimed that the choice to have foreign subsidiaries issue medium-term bonds allowed the Parmalat Group to borrow at advantageous interest rates, and in some cases at below the average market rates applied to companies with similar credit ratings. The bond issuances were reported

to have enabled Parmalat to avoid the need for recourse to more costly forms of financing. Parmalat further claimed that foreign exchange and financial transactions were subject to continuing monitoring using the appropriate instruments to hedge exchange rate and interest rate risks.

567. With respect to related party transactions, the 2000AR failed to disclose the Company's asset transfers to parties dominated and controlled by the Tanzi family. Instead Parmalat merely stated:

Transactions with related Companies and parties

In compliance with CONSOB circulars no. 97001574 dated 20 February 1997 and no. 98015375 dated 27 February 1998, we summarize below data as at 31 December 2000 regarding the Group's transactions with related companies and parties

(Million Lire)	As at 31 December 2000		2000 Financial Period	
	Receivables	Payables	Income	Expenses
HIT Group	6,245	7,881	1,195	4,142
Carital Food Distributors NV	10,767	n/a	11,825	n/a

The said transactions, all trade related, refer to services supplied to or rendered by the HIT Group, which operates in the travel and tourism sector. Income mainly concerns supply of our products to hotels belonging to the HIT Group, whereas expenses relate to costs incurred for travel and trips on the part of the staff of consolidated companies.

Transactions concerning Carital Food Distributors NV refer to product sales and sale of fixed assets

568. Parmalat also disseminated the Board of Statutory Auditors' Report, dated April 12, 2001 for the fiscal year 2000 financial statements. In their Report, the Statutory Auditors represented that they had attended all Board of Directors and Executive Committee meetings, ensuring that the Company's most important financial and economic operations had been carried out in compliance with law. They stated that they periodically reviewed Parmalat's and its

subsidiaries' financial and economic performance. The Statutory Auditors further stated that they met with senior management of Deloitte as part of their responsibility to supervise the appropriate administration of the Company. They also reported that, with Deloitte's support, they carried out the necessary reviews of the administrative and accounting system and the internal audit system to analyze and assess the reliability of the Company's information systems and the effectiveness and efficiency of the systems for controlling and protecting assets.

569. The Statutory Auditors also represented in their Report that Parmalat was committed to completion of a new internal audit structure. They also stated that they had verified Parmalat's compliance with legal provisions regarding the preparation of financial statements and the Directors' Report, through direct checks, and from information received from Deloitte with whom they met periodically during the year to exchange information. They further stated that inter-company transactions and those with related parties were to fulfill the Company's business purposes and in that regard, the Statutory Auditors had noted no signs of conflicts of interest or operations carried out in any unusual or atypical fashion. In their conclusion, the Statutory Auditors reported their favorable opinion on the fiscal year 2000 financial statements.

570. Parmalat also disseminated Deloitte's April 13, 2001 opinion on the fiscal year 2000 financial statements of Parmalat and Deloitte's April 13, 2001 certified opinion on the Parmalat Group's fiscal year 2000 consolidated financial statements. In those opinions, Deloitte certified that its audit complied with auditing standards that required Deloitte to "plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement." In both Reports, Deloitte asserted that its "audit provides a reasonable basis for our opinion," which was that Parmalat's financial statements and the

Parmalat Group's consolidated financial statements present fairly the financial position and results of operations of the Company and the Group, respectively as of December 31, 2000.

571. At the Annual Shareholders' Meeting on April 30, 2001, Parmalat's shareholders approved the appointment of the Board of Directors for an additional three year term, and approved the remuneration to be paid to the members of the Board and the Executive Committee.

572. On that same day, the Company issued a press release announcing that Parmalat's shareholders had approved the Company's fiscal year 2000 financial statements at the Annual Shareholders' Meeting. The press release reported that Tanzi had highlighted to shareholders the fact that the Group's volume sales trend was substantially in line with budget, and that the Group was proceeding with its restructuring of businesses that Parmalat had acquired over recent years. In addition, the news release announced the Board of Directors' intention to review its corporate governance practices. The press release stated:

Chairman Calisto Tanzi informed that during the year, the Board of Directors reviewed its system of Corporate Governance in relation to the Voluntary Code for listed companies, prepared by the "Committee for Corporate Governance of listed companies" and adopted by the Borsa Italiana spa in its regulations.

573. All of the above statements, from the first quarter fiscal 2000 Directors' Report through the 2000AR, including the Reports of Deloitte and of the Statutory Auditors on the fiscal 2000 financial statements, and all of the foregoing bond offering materials disseminated during Parmalat's fiscal year 2000 were materially false and misleading because the revenues, profits, liquid cash reserves and assets of the Company and the Parmalat Group were materially overstated, and their debt was materially understated, through continued fictitious sales of products to Bonlat, fictitious milk sales to a company in Cuba, the improper double billing and securitization scheme, the hiding of debt in off-shore special purpose entities, improper reclassification of Company debt, fictitious repurchases and retirement of Company bonds and

other debt, improper treatment of Company debt as equity, the fabrication of assets, and the illicit transfers of Company funds to entities owned and controlled by Tanzi and members of his family. As a result, and as the Individual Defendants, Zini and the Law Firm Defendants, Grant Thornton, Deloitte, Bank of America, Citigroup and CSFB knew, the financial statements of Parmalat and the consolidated financial statements of the Parmalat Group had not been prepared in accordance with applicable rules and regulations or financial and accounting principles.

574. As reported in a Chiaruttini report, Parmalat's total consolidated shareholders' equity for the year ended December 31, 2000 of €2,643,323,503 was overstated by at least €729,241,768, and consolidated EBITDA for that period of €70,764,000 was overstated by at least €05,218,000, and the actual figure should have been reported as €65,546,000.

U. The 2001 First Quarter Report

575. On or about May 15, 2001, the Company issued a press release announcing its financial results for the first quarter of 2001, ended March 31, 2001, stating:

Today's meeting of the Board of Directors, chaired by Cav. Lav Calisto Tanzi, today examined the report on operations for the first quarter of 2001 (from January 1 to March 31). During the first quarter of 2001 consolidated sales increased, compared with the same period of the previous year, by ITL 314, corresponding to 9.7% rising from ITL 3,223 billion in the first quarter of 2000 to ITL 3,537 billion. Organic volume growth amounted to around 3.5%.

The positive trend of operating profitability reported in 2000 continued, due to ongoing rationalization, the constant improvement of production and distribution processes and the contribution of new products providing greater added value.

576. The Company included those consolidated financial results in its Directors' Report on Operations for the First Quarter of 2001, ended March 31, 2001 ("DR1Q01") also disseminated to investors on or about May 15, 2001. Parmalat represented that the DR1Q01 had

been prepared in compliance with generally accepted principles for consolidated accounts in conformity with Italian accounting principles and with international accounting principles.

577. The DR1Q01 reported consolidated sales of €1,826,990,000, gross operating profit (EBITDA) of €219,133,000, adjusted net operating profit (EBIT) of €138,023,000 and income before adjustments to financial assets, extraordinary items, income taxes and minority interests in income of €105,819,000.

578. The DR1Q01 also reported on the Company's net financial position as of the first quarter of 2000, in the form of the following chart:

(thousands of euro)	March 31, 2001	December 31, 2000
<i>Bank debt and debenture loans</i>		
Short-term	771,786	873,344
Medium-term convertible bonds	631,200	281,200
Other medium-term	3,723,556	3,857,916
Total bank debt and debenture loans	5,126,542	5,012,460
<i>Cash and cash equivalents</i>		
Short-term	2,909,778	2,702,664
Medium-term	38,890	38,351
Total cash and cash equivalents	2,948,668	2,741,015
Total debt net of cash and cash equivalents	2,177,874	2,271,445

579. In the May 15, 2001 press release and the DR1Q01, the Company stated that sales benefited from consolidation of the companies that it had acquired in the prior year and at the start of the current year, and that the positive trend of operating profitability reported in 2000 continued due to ongoing rationalization, the constant improvement of products and distribution processes and the continuation of new products providing greater added value. Reporting on the drop in net financial debt during the quarter, the Company stated in the press release and the DR1Q01 that operating cash flow was used in part to cover needs arising from capital expenditure and working capital requirements.

580. With respect to the Company's outlook, the DR1Q01 stated that the Company's consolidated sales for 2001 "will reap the benefits of the consolidation . . . of the acquisitions

made during the previous year . . .” and that “organic growth in volume terms is expected to remain in step with the trend seen in the first quarter of 2001.”

V. The June 2001 Notes Offering

581. On or about June 22, 2002, according to the PwC Report, Dairy Holdings Ltd. through Bank of America, issued \$157 million of 7.20% notes due December 22, 2003, to be privately placed in the U.S.

582. A private placement memorandum regarding the notes was disseminated to investors in April 2001, with a November 2001 Information Memorandum. These memoranda included Parmalat S.p.A.’s falsified audited financial data as of year-end 1999. According to the SEC complaint, in an April 2001 written response to investors’ questions regarding Parmalat Finanziaria’s selling large amounts of debt, Parmalat falsely told investors, “There are no material restrictions on the company’s access to the vast proportion of the cash.”

W. The July 2001 Notes Offerings

583. Parmalat Finance Corporation B.V. disseminated an offering circular, dated July 16, 2001, for a €2 billion Debt Issuance Program.

584. Deutsche Bank AG London and UBS AG, acting through its business group UBS Warburg, were two of the dealers of the debt offering.

585. The July 16, 2001 offering circular incorporated by reference relevant pricing supplements, audited annual reports and interim reports (both audited and unaudited) of Parmalat Finance Corporation B.V. and Parmalat S.p.A.

586. Parmalat Finance Corporation B.V. also disseminated a pricing supplement, dated July 23, 2001, for the issuance of €500 million 6.80% Guaranteed Notes due July 25, 2008. These Notes were Series 1, Tranche 1 of the €2 billion Debt Issuance Program issued pursuant to the July 16, 2001 offering circular.

X. The August 2001 Offering

587. On or about August 14, 2001, according to the PwC Report, Parmalat Brasil Industria de Alimentos through Bank of America, issued \$52 million of 4.69% notes due at five equal rates at bi-yearly intervals beginning February 14, 2003, to be privately placed in the U.S.

Y. The 2001 First Half Report

588. On or about September 11, 2001, Parmalat issued a press release which reported positive first half 2001 results, and it issued the Company's Half Year Report for the Period January-June 2001 for the period ended June 30, 2001 ("HYR01"), which included the Board of Directors' Report on Operations, the Group's consolidated financial statements and the Company's financial statements. In the press release and the HYR01, Parmalat reported consolidated sales of €3,834,000,000, gross operating profit (EBITDA) of €461,000,000, net operating profit (EBIT) of €285,000,000 and Group pre-tax profit of €194,000,000. The press release and the Report also reported €2,995,000,000 in consolidated shareholders' equity. The financial statements in the HYR01 also reported total consolidated assets of €10,334,130,000, total consolidated liabilities of €7,339,209,000, and the Company's total assets of €3,260,259 and total liabilities of €1,509,664.

589. The September 11, 2001 press release and the HYR01 also presented net debt figures in the form of the following chart:

(millions of euros)	June 30, 2001	December 31, 2000
<i>Bank debt and debenture loans</i>		
Falling due within 12 months	746.302	873.344
Falling due between 1 and 5 years	2,195.093	2,522.722
Falling due beyond 5 years	1,725.736	1,616.394
Total bank debt and debenture loans	4,667.131	5,012.460
<i>Cash and cash equivalents</i>		
Cash on hand and at banks	1,623.298	1,920.455
Short-term financial assets	834.376	782.209
Other investment securities	39.009	38.351
Total cash and cash equivalents	2,496.683	2,741.015
Total debt net of cash and cash equivalents	2,170.448	2,271.445

590. The September 11, 2001 press release and the HYR01 Report stated that operating cash flow improved over the same period in the prior year and that the funds were used, in part, to cover financial needs arising from investment and working capital requirements.

591. The September 11, 2001 release and the HYR01 further stated that “[i]n the first half of 2001 the Parmalat Group achieved significant growth and reported an 11% increase in sales, compared with the same period of the previous year, accompanied by rises of 13.7% in gross operating profit and of 16.1% in pre-tax profit attributable to the Group.”

592. The September 11, 2001 press release and the HYR01 also disclosed the issuance of convertible bonds by Parmalat’s Dutch subsidiary, Parmalat Netherlands B.V., which subsequently became the subject of an investigation by Dutch and Italian authorities:

Debenture loans include bonds convertible into Parmalat Finanziaria ordinary stock totaling ITL 1,222 billion equal to 631 million euros, registering an increase, with respect to the ITL544 billion of December 31, 2000, of ITL 678 billion, equal to 350 million euros. This increase is due to the partial execution, on February 28, 2001, via Parmalat Netherlands B.V., of the resolution passed by the Extraordinary General Meetings of shareholders of June 5, 2000, regarding the issue of bonds convertible into Parmalat Finanziaria ordinary shares.

On February 28, 2001, Parmalat Netherlands B.V., a wholly owned subsidiary of Parmalat S.p.A., issued convertible bonds totaling 350 million euros at a price equal to their par value. The securities are due to mature on June 30, 2021, with interest payable in arrears on June 30 of each year at a fixed rate of 0.875% per annum.

593. With respect to subsequent events and operating outlook, the Company noted the following:

The trend in sales since the close of the first half of the year has substantially confirmed the positive performance registered in the first six months.

Forecasts indicate that the Group's sales during 2001 will benefit from the consolidation of the acquisitions made during the previous year and not consolidated across the full financial year, and from the acquisitions made at the beginning of the current year, net of disposals during 2000. Organic volume growth is expected to remain in step with the trend seen in 2000, while it is not possible to predict the performance of consolidated revenues, expressed in the Group's unit of currency, given that this will depend on exchange rates over the year.

Continuation of the restructuring program should result in confirmation of the consolidated operating profit margins seen during the first half of the year.

The Parent Company's net profit for 2001 as a whole is expected to be substantially in line with that of the previous year.

594. Parmalat also disseminated to the investment community Deloitte's October 15, 2001 "Auditors' Review Report on the Interim Financial Information for the Six Months Ended June 30, 2001" wherein it stated that "[b]ased on our review we are not aware of any material modifications that should be made to the interim financial information" for the six month period for it to be in conformity with CONSOB regulations.

595. On or about November 2, 2001, the Company announced in a press release the creation of a new North American Region designed to strengthen Parmalat's presence in that region:

Parmalat announces the creation of a new organizational structure focused on strengthening the Company's operation in North America. For this purpose Parmalat USA, the Bakery Division and Parmalat Canada will be integrated under the Parmalat North America Region.

This decision has been evaluated with the participation of all the divisions involved. The new organization will start operating immediately and will

benefit the entire region by creating synergies in all Parmalat business and the opportunity to leverage the knowledge and expertise of all the units involved.

Z. The September 2001 Notes Offering

596. Parmalat Finance Corporation B.V. disseminated a pricing supplement, dated September 18, 2001, for the issuance of €100 million 5.125% Notes due September 20, 2004, to be privately placed. These Notes were Series 2, Tranche 1, of the €2 billion Debt Program issued pursuant to the July 16, 2001 offering circular.

AA. The 2001 Third Quarter Report

597. On or about November 14, 2001, Parmalat issued a press release and its Report for the Third Quarter of the 2001 Financial Period ended September 30, 2001 (“DR3Q01”), which included the Directors’ Report of Operations, announcing its results for the third quarter and first nine months of 2001. The press release and DR3Q01 reported, for the quarter, consolidated sales of €1,977,073,000, gross operating profit (EBITDA) of €237,218,000, net operating profit (EBIT) of €46,796,000, and total consolidated shareholders’ equity as of September 30, 2001 of €2,822,000,000.

598. The Company also reported that the Group benefited from the consolidation of acquisitions made in the prior year and at the start of the current year. The Company further stated that the positive trend in operating profitability continued through the third quarter due to ongoing rationalization, the constant improvements of production and distribution processes and the contribution of new products providing greater added value.

599. The November 14, 2001 press release and the DR3Q01 also reported on the Company’s net financial position in the form of the following chart:

(thousands of euro)	September 30, 2001	June 30, 2001	December 31, 2000
<i>Bank debt and debenture loans</i>			
Short-term	761,529	746,302	873,344
Medium-term convertible bonds	631,200	631,200	281,200
Other medium-term	3,376,901	3,289,629	3,857,916
Total bank debt and debenture loans	4,769,630	4,667,131	5,012,460
<i>Cash and cash equivalents</i>			
Short-term	2,659,552	2,457,674	2,702,664
Medium-term	49,086	39,009	38,351
Total cash and cash equivalents	2,708,638	2,496,683	2,741,015
Total debt net of cash and cash equivalents	2,060,992	2,170,448	2,271,445

In reporting on the decrease in net debt, the Company stated that a portion of operating cash flow was utilized to cover financial needs arising from investment and working capital requirements.

600. In stating that the “positive trend continues into the third quarter of 2001,” the Company reported in the press release and the DR3Q01 the following results for the first nine months of 2001:

In the first nine months of the year the Parmalat Group achieved satisfactory overall growth and reported a 8.2% increase in sales, compared with the same period in 2000, accompanied by rises of 10.9% in gross operating profit of 9% in net operating profit.

Organic volume growth amounted to 3.4%, equal to the increase reported for all of 2000 and essentially in line with the 3.5% reported during the first nine months of 2000. Sales rose by almost (439 million Euro) during the first three quarters.

601. The Company further declared that its growth would continue in line with past trends, stating:

Forecasts indicate that the Group’s sales during 2001 will benefit from the consolidation of the acquisitions made during the previous year and not consolidated across the full financial year, and from the acquisitions made at the beginning of the current year, net of disposals during 2000. Organic volume growth is expected to remain in step with the trend seen during the first nine months of the year, while it is not possible to predict the performance of consolidated revenues, expressed in the Group’s unit of currency, given that this will expand on exchange rates over the year.

Continuation of the restructuring program should result in confirmation of the consolidated operating profit margins seen during the first nine months of the year.

BB. The December 2001 Notes Offering

602. Parmalat Finance Corporation B.V. disseminated an offering circular, dated December 19, 2001, for the issuance of €250 million 5.875% Guaranteed Notes due January 18, 2007.

603. Credit Suisse First Boston (Europe) Limited, an affiliate of CSFB, was one of the lead managers of the offering and BNL was one of the managers.

604. The December 19, 2001 offering circular incorporated by reference: the audited non-consolidated financial statements of Parmalat Finance Corporation B.V. for the years ended December 31, 1999 and December 31, 2000; the unaudited semi-annual financial statements of Parmalat Finance Corporation B.V. for the six months ended June 30, 2001; the audited consolidated and non-consolidated financial statements of Parmalat S.p.A. for the years ended December 31, 1999 and December 31, 2000; and, the unaudited consolidated semi-annual financial statements of Parmalat S.p.A. for the six months ended June 30, 2001.

605. On or about December 20, 2001, according to the PwC Report, USPP 2001 Trust through Bank of America, issued \$30 million of 7.24% notes, due December 20, 2007, to be privately placed in the U.S.

606. On or about December 20, 2001, according to the PwC Report, USPP 2001 Trust through Bank of America, issued \$10 million of 7.37% notes, due December 20, 2008, to be privately placed in the U.S.

607. On or about December 20, 2001, according to the PwC Report, USPP 2001 Trust through Bank of America, issued \$40 million of 7.78% notes, due December 20, 2011, to be privately placed in the U.S.

608. A private placement memorandum regarding the notes issued on or about December 20, 2001, was disseminated to investors in July 2001. The memorandum included

Parmalat S.p.A.'s falsified audited financial data as of year-end 2001. When U.S. investors questioned this data, Parmalat issued an Investor Due Diligence Presentation, which also included false financial information as of year-end 2000.

CC. The January 2002 Notes Offering

609. Parmalat Finance Corporation B.V. disseminated a pricing supplement, dated January 31, 2002, for the issuance of €50 million 5.125% Notes due September 20, 2004 to be privately placed. These Notes were Series 2, Tranche 2 of the €2 billion Debt Issuance Program issued pursuant to the July 16, 2001 offering circular. These notes were consolidated with and part of a single series with, the €100 million 5.125% Notes due 2004, issued pursuant to the September 18, 2001 pricing supplement.

DD. The February 2002 Notes Offering

610. Parmalat Finance Corporation B.V. disseminated an offering circular, dated February 20, 2002, for the issuance of €50 million 5.875% Guaranteed Notes due January 18, 2007, to be consolidated with and formed a single series with the €250 million of 5.875% Guaranteed Notes issued pursuant to the December 19, 2001 offering circular.

611. Credit Suisse First Boston (Europe) Limited, an affiliate of CSFB, was one of the managers of the February, 2002 offering.

612. The February 20, 2002 offering circular incorporated by reference: the audited non-consolidated financial statements of Parmalat Finance Corporation B.V. for the years ended December 31, 1999 and December 31, 2000; the unaudited semi-annual financial statements of Parmalat Finance Corporation B.V. for the six months ended June 30, 2001; the audited consolidated and non-consolidated financial statements of Parmalat S.p.A. for the years ended December 31, 1999 and December 31, 2000; and the unaudited consolidated semi-annual financial statements of Parmalat S.p.A. for the six months ended June 30, 2001.

EE. The 2001 Annual Report

613. On or about March 29, 2002, Parmalat issued a press release reporting financial results for the full year 2001, which incorporated information contained in the Board of Directors' Report, the Company's financial statements and the Parmalat Group's consolidated financial statements for the year ended December 31, 2001 ("SCFS01").

614. The SCFS01 and the March 29, 2002 press release reported increased consolidated sales of €7.802 billion, improved gross operating profit of €948 million, improved net operating profit of €597 million, increased consolidated net profit attributable to the Group of €18,500,000, improved total net profit of €62,100,000 and increased shareholders' equity of €2.835 billion. On a consolidated basis, the Group reported total assets of €10,540,005,000 and total liabilities of €7,704,869,000. The Company reported total assets of €1,920,856,098 and total liabilities of €1,010,533,152.

615. The press release and SCFS01 reported that the Group benefited from the consolidation of the acquisitions in the prior year and the start of 2001. The SCFS01 further stated that the positive trend in 2001 operating profits continued due to ongoing rationalization, the constant improvement of production and distribution processes, the contribution of new products providing greater margins and the policy of diversification into selected niche markets.

616. Both the March 29, 2002 press release and the SCFS01 reported that operating cash flow of €631,000,000 was used in part to cover financial needs arising from capital expenditures and working capital requirements. Both disclosure documents also provided an analysis of net debt as of year-end 2001 in the following chart:

(millions of euros)	December 31, 2001	December 31, 2000
<i>Bank debt and debenture loans</i>		
Falling due within 12 months	831.215	873.344
Falling due between 1 and 5 years	2,475.235	2,522.722
Falling due beyond 5 years	1,618.657	1,616.394
Total bank debt and debenture loans	4,925.107	5,012.460
<i>Cash and cash equivalents</i>		
Cash on hand and at banks	1,464.777	1,920.455
Short-term financial assets	1,459.650	782.209
Other investment securities	44.275	38.351
Total cash and cash equivalents	2,968.702	2,741.015
Total debt net of cash and cash equivalents	1,956.405	2,271.445

617. In the SCSF01, Parmalat disclosed that in 2001, companies in the Parmalat Group entered securitized trade receivable transactions totaling €95,000,000. The Company further disclosed that the balance sheet items concerning those transactions are: accounts receivables due from customers; accounts receivables due from others; banks; securities; and financial expense. The Company stated these trade receivable securitization transactions were carried out: (a) to streamline collection procedures; (b) to provide certainty with regard to credit collection and cash flow; and (c) for cost effective reasons, since securitization fees were less than the cost of other forms of credit collection.

618. As in prior annual reports, Parmalat failed in its SCFS01 to disclose that the Company was involved in various asset transfers to parties dominated and controlled by the Tanzi family. Instead of disclosing this information, the SCFS01 merely stated as follows:

In compliance with CONSOB circulars no. 97001574 dated 20 February 1997 and no. 98015375 dated 27 February 1998, a summary of data as of 31 December 2001 regarding the Group's related party transactions is provided below . . .

(thousands of euros)	As of December 31, 2001		2001	
	Accounts receivable	Accounts payable	Income	Expenses
HIT Group	3,436	2,260	9,603	2,052

Said transactions, all trade related, refer to services supplied to or rendered by the HIT Group, which operates in the travel and tourism sector. Income mainly concerns the supply of our products to hotels belonging to

the HIT Group, whereas expenses relate to costs incurred for travel and trips on the part of the staff of consolidated companies.

619. Finally, the Company stated that its “[o]rganic volume growth is expected to remain in step with the trend seen in 2001” and that “[t]he performance of the Group’s sales during early 2002 is substantially in line with projections.”

620. Parmalat also disseminated Deloitte’s two Auditors’ Report, both dated April 11, 2002, and signed by its partner, Adolfo Mamoli, that contained Deloitte’s opinion on the Company’s financial statements as of December 31, 2001, and its opinion on the Group’s consolidated financial statements for that period, respectively. Both opinions stated that the financial statements present fairly the financial position of the Company as of December 31, 2001, and the results of its operations for that fiscal year.

621. Parmalat also issued the Board of Statutory Auditors’ Report, dated April 12, 2001, on the fiscal 2001 financial statements. In the Report, the Statutory Auditors represented that they had carried out the checks required by law in accordance with the principles for boards of statutory auditors established by the Italian accounting profession, and in coordination with the activities of Deloitte. The Statutory Auditors stated that they had attended all Board meetings held in 2001 and that Chairman Brughera also took part in three meetings of the Internal Audit Committee. They represented that they were unaware of any atypical or unusual related party or intercompany transactions, that transactions relating to the HIT Group were all trade related, and that the notes to the financial statements concerning related party and intercompany transactions were adequate, taking account of the size and structure of the company. The Statutory Auditors further stated that they carried out their obligation to supervise the appropriate administration of the Company by, among other things, direct observation and the receipt of information from management and meetings with Deloitte.

622. The Statutory Auditors further represented that they assessed and checked the adequacy of the system of internal controls and the administrative and accounting system by, *inter alia*, obtaining information from managers, examining company records, and analyzing Deloitte's work. They stated that the manager for internal controls reported regularly to them. The Statutory Auditors also stated that they had verified, through direct checks and information received from Deloitte, that the Company's financial statements and the Board of Directors' Report complied with law in both form and content. Further, they represented that Parmalat had substantially complied with the Voluntary Code of Best Practice set up by the Borsa Italiana S.p.A.'s Committee on Corporate Governance for listed companies by, among other things, forming an Internal Audit Committee and Remuneration Committee. In its conclusion, the Board of Statutory Auditors recommended to Parmalat's shareholders that they approve the fiscal year 2001 financial statements.

623. At the Annual Shareholders' Meeting on April 30, 2002, Parmalat's shareholders renominated the Board of Statutory Auditors and its Chairman, Brughera, for another three year term. They also approved the Board of Directors' Report and the fiscal year 2001 financial statements. On that same day, Parmalat issued a press release announcing that, at the annual shareholders' meeting its fiscal year 2001 financial statements had been approved. Parmalat also disclosed that its shareholders had confirmed the reappointment of Deloitte to audit the Company's and the Group's consolidated financial statements for the years 2002 through 2004, and to review the six month reports for the years 2003 through 2005. The press release further stated that Tanzi had summarized for the shareholders the Parmalat Group's operating results for the year, and had highlighted the fact that the performance of the Group's sales in early 2002 was substantially in line with projections.

624. The press release further disclosed that at the annual meeting, Tanzi announced that the Board of Directors had prepared a memorandum regarding its system of corporate governance, which was essentially in line with the recommendations and regulations contained in the Voluntary Code of the Best Practice for Listed Companies issued by the Committee on Corporate Governance for Listed Companies and adopted by Borsa Italiana S.p.A. in its own regulations. The memorandum, which was published on Parmalat's website and made available to all shareholders, explained that "[t]he voluntary code is to become a kind of certificate of good governance with resulting consequences for a company's image vis-à-vis the business community, analysts, investors and the media." The memorandum further stated that, with respect to the Company's internal audit procedures:

We believe that the Group existing structure is already sufficiently well organized to manage so-called internal audit procedures and that the existing internal procedures are, in line with the needs of the Group, capable of guaranteeing healthy and efficient management adequate to identify, prevent and manage risks of a financial and operational nature and fraudulent behaviour (sic) that may damage the company.

625. The statements made and the financial information disclosed by Parmalat contained in the May 15, 2001 press release through the April 30, 2002 press release, and in each of the bond offering materials issued during that period, were made with the active participation of the Individual Defendants, Grant Thornton, Deloitte, Zini and Zini & Associates, and the Company's bankers, lenders and financial advisors, including Citigroup, Bank of America, Deutsche Bank and CSFB and were all materially false and misleading. At the same time that these positive financial results were being disseminated to investors worldwide, the Company continued with all aspects of its fraudulent scheme, including the fictitious product and milk sales, double billing and securitization scheme, reclassification of debt, fictitious repurchase and retirement of debt, improper treatment of debt as equity, and embezzlement of Company funds

by Tanzi and his family's entities. As a result of the fraudulent conduct carried out by defendants, the revenues, profits, earnings, liquidity and assets of the Company and the Parmalat Group were materially overstated, and their debt was materially understated.

626. As reported in a Chiaruttini report, Parmalat's total consolidated shareholder equity for the year ended December 31, 2001 of €2,835,136,000 was overstated by at least €1,133,951,301, and consolidated EBITDA for that period of €48,141,000 was overstated by at least €38,382,889 and the actual figure of €409,758,111 should have been recorded.

FF. The 2002 First Quarter Report

627. On or about May 15, 2002, Parmalat issued its Directors' Report on Operations for First Quarter of 2002 for the quarter ended March 31, 2002 ("DR1Q02"). The quarter's results were also reported in the publication, *PRLine*, on May 15, 2002. Parmalat stated that the DR1Q02 had been prepared in compliance with generally accepted accounting principles for consolidated accounts, which conformed to those established by the Italian accounting profession and international accounting principles.

628. In the Board of Directors' Report, the Company reported the Parmalat Group's consolidated sales of €1,847,544,000, gross operating profit (EBITDA) of €24,418,000, net operating profit (EBIT) of €140,429,000, and income (before adjustments to financial assets, extraordinary items, income taxes and minority interests in income) of €6,210,000. The Company also reported that Parmalat's total consolidated shareholders' equity was €793,000,000. Parmalat stated that the first quarter's consolidated sales were substantially on par with the same period in the prior year.

629. The Company also disclosed that the Parmalat Group's acquisition of Citigroup's residual holding in Parmalat Canada Limited was one of the most significant events in the first quarter of 2002. The DR1Q02 further stated that, with respect to the Company's financial

position, operating cash flow was partially used to cover the cost of investment and working capital requirements.

630. With respect to the Company's net debt, Parmalat provided an analysis in the DR1Q02 in the following chart:

(thousands of euro)	March 31, 2002	December 31, 2001
<i>Bank debt and debenture loans</i>		
Short-term	806,437	831,215
Medium-term convertible bonds	631,200	631,200
Other medium-term	3,667,604	3,462,692
Total bank debt and debenture loans	5,105,241	4,925,107
<i>Cash and cash equivalents</i>		
Short-term	3,032,377	2,924,427
Medium-term	44,515	44,275
Total cash and cash equivalents	3,076,892	2,968,702
Total debt net of cash and cash equivalents	2,028,349	1,956,405

631. Finally, as in all of its prior reports issued during the Class Period, the Company stated that its future operating outlook was in line with past trends:

Organic volume growth should remain substantially in step with the trend witnessed during the first quarter. . . . The operating performance should enable the Group to maintain consolidated operating profit margins in line with the figures for the first quarter.

GG. The May 2002 Debenture Offering

632. Parmalat Soparfi S.A. disseminated an offering memorandum, dated May 22, 2002, for the issuance of €306,800,000 6.125% Long Dated Convertible Debentures due May 23, 2032.

633. Morgan Stanley & Co. International Limited, an affiliate of Morgan Stanley, was the sole Lead Manager of the May 2002 debenture offering.

634. The May 22, 2002 offering memorandum incorporated by reference: the annual reports and audited financial statements of Parmalat Soparfi S.A. for the years ended December 31, 1999, December 31, 2000 and December 31, 2001; annual reports and audited consolidated financial statements of Parmalat S.p.A for the years ended December 31, 1999 and December 31,

2000; annual reports and audited non-consolidated financial statements of Parmalat S.p.A. for the years ended December 31, 1999 and December 31, 2000; and annual reports and audited consolidated financial statements of Parmalat Finanziaria for the years ended December 31, 1999 and December 31, 2000.

HH. The August 2002 Notes Offering

635. Parmalat Finance Corporation B.V. disseminated an offering circular, dated August 23, 2002, for a €2 billion Debt Issuance Program.

636. Deutsche Bank AG London and UBS AG, acting through its business group UBS Warburg, were two of the dealers of the Program.

637. The August 23, 2002 offering circular incorporated by reference relevant pricing supplements, audited annual reports and interim reports (both audited or unaudited) of Parmalat Finance Corporation B.V. and Parmalat S.p.A.

II. The 2002 Half-Year Report

638. On or about September 11, 2002, Parmalat disseminated its Half-Year Report for the period January-June 2002 ended June 30, 2002 (“HYR02”), and a press release announcing positive results for the first half of 2002. The HYR02 contained Parmalat’s financial statements, the Group’s consolidated financial statements and the Directors’ Report of Operations. The financial results were also reported in the publication *PRLine* on that same day. The HYR02 represented that the financial statements had been prepared in accordance with CONSOB resolutions, and that the accounting principles adopted by the Company were in conformity with those established by the Italian Accounting Profession and with established international accounting standards.

639. In the press release and the HYR02, Parmalat reported consolidated sales of €3,857,138,000, gross operating profit (EBITDA) of €467,873,000, net operating profit (EBIT)

of €296,702,000, and total consolidated shareholders' equity of €2,394,000,000. In the HYR02, Parmalat reported total assets for the Company of €1,951,618,263 and total liabilities of €1,021,083,517, and for the Group, it reported total consolidated assets of €10,420,126,000 and total consolidated debt of €8,025,707,000. The Directors' Report further explained that the Company's assets consisted primarily of the value of its equity investments in subsidiaries, which totaled €65.3 million and loans granted to subsidiaries of €1,074.6 million.

640. The Company further "confirmed its position in the markets in which it operates, improving its principal operating results compared to the corresponding period of the previous year and maintaining its consolidated operational profitability essentially on the same level as in the entire year 2001." Specifically, it stated that:

In the first half, marked by the situation of stagnation of the world economy continuing from the previous year, the Parmalat Group has in any case confirmed its position in the markets in which it operates, improving its principal operating results compared to the corresponding period of the previous year and maintaining its consolidated operation profitability essentially on the same level as in the entire year 2001. Consolidated sales for the first half amounted to 3,857 million euro, representing an increase of 23 million compared with the 3,834 million of the first half of the previous year.

641. The HYR02 provided an analysis of net debt as of June 30, 2002, in the form of the following chart:

(millions of euros)	June 30, 2002	December 31, 2001
<i>Bank debt and debenture loans</i>		
Falling due within 12 months	1,125.540	831.215
Falling due between 1 and 5 years	2,561.128	2,475.235
Falling due beyond 5 years	1,620.518	1,618.657
Total bank debt and debenture loans	5,307.186	4,925.107
<i>Cash and cash equivalents</i>		
Cash on hand and at banks	1,513.038	1,464.777
Short-term financial assets	1,706.061	1,459.650
Other investment securities	72.675	44.275
Total cash and cash equivalents	3,291.774	2,968.702
Total debt net of cash and cash equivalents	2,015.412	1,956.405

Parmalat also disclosed in the HYR02 and in the press release, that operating cash flow of €393 million had been used to cover financial needs that arose from capital expenditure and working capital requirements.

642. Additionally, the September 11, 2002 press release and the HYR02 provided a positive operating outlook for the remainder of the year:

Organic volume growth is expected to remain substantially in line with the first half of this year, while it not possible to predict the performance of consolidated revenues, expressed in euro, given that this will depend on exchange rates over the year.

The operating trend should allow the confirmation of the consolidated operating profit margins realized in the first half of the year.

The controlling group's operating performance for the entire year 2002 is expected to be in line with the previous year.

643. With respect to related party transactions, the Company stated in the HYR02 that all of the transactions as of June 30, 2002, related to ordinary Parmalat Group operations conducted on an arm's length basis and that no typical or unusual transactions were carried out.

It further reported related party information in the following chart:

(thousands of euros)	As of June 30, 2002		First half 2002	
	Accounts receivable	Accounts payable	Income	Expenses
HIT Group	3,591	1,993	329	774

Said transactions, all trade related, refer to services supplied to or rendered by the HIT Group, which operates in the travel and tourism sector. Income mainly concerns the supply of our products to hotels belonging to the HIT Group, whereas expenses relate to costs incurred for travel and trips on the part of the staff of consolidated companies.

644. The Company also stated in its HYR02 that accounts receivables had fallen by €74,468,000. The Company included an analysis in the form of the following chart:

(thousands of euros)	Due within 12 months	Due beyond 12 months and within 5 years	Due beyond 5 years	Total
Due from customers	1,168,087	25,906	0	1,193,993
Due from subsidiaries	263	25	0	288

Due from associated companies	10,772	0	0	10,772
Due from others	244,777	7,300	369	252,446
Provisions for doubtful accounts	(70,137)	0	0	(70,137)
Total accounts receivable	1,353,762	33,231	369	1,387,362

645. With respect to derivatives transactions, the HYR02 merely stated that “interest expense and financial charges” of €241,358,000 took “account of derivative transactions entered into by various Group companies, in order to hedge exchange rate fluctuations during the year.”

646. Parmalat also disseminated Deloitte’s October 15, 2002 Auditors’ Review Report on the Interim Financial Information for the six months ended June 30, 2002, signed by its Partner Adolfo Mamoli. In that report, Deloitte stated:

We have reviewed the accompanying interim financial information for the six months ended June 30, 2002, made up of the consolidated accounting schedules and related notes of Parmalat Finanziaria S.p.A. In addition, we have verified the consistency of the notes with the related information contained in the above accounting schedules.

Our review was carried out in accordance with the criteria for reviews recommended by CONSOB under Resolution n. 10867 of July 31, 1997. The limited reviews of the six-monthly accounts of certain subsidiary companies representing approximately 40% of consolidated assets and approximately 27% of consolidated revenues were carried out by other auditors who have provided us with a copy of their reports. Our review consisted principally of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters.

* * *

Based on our review we are not aware of any material modifications that should be made to the interim financial information mentioned in the first paragraph above in order for it to be in conformity with the criteria provided by CONSOB regulations for the preparation of interim financial information approved with Resolution N. 11971 of May 14, 1999 as subsequently amended and supplemented.

647. On November 4, 2002, *AFX European Focus* reported an interview with Tanzi. Tanzi was reported as stating that the Group planned to focus on growing its existing operations: “I see above all growth from internal development: particularly in Italy where the position we

have would prompt the antitrust authority to intervene if we made acquisitions in the milk sector It is a different story in juices and that perhaps requires some targeted acquisitions.”

JJ. The 2002 Third Quarter Report

648. On or about November 8, 2002, Parmalat issued its Directors’ Report on Operations for the Third Quarter of 2002 ended September 30, 2002 (“DR3Q02”), which included the Board of Directors’ Report on Operations, and it also disseminated a press release announcing the financial results for the third quarter of 2002 and the first nine months for 2002. The Directors’ Report represented that the quarterly report had been prepared in compliance with generally accepted principles for consolidated accounts, which conformed to those established by the Italian accounting profession and international accounting principles.

649. The Company reported consolidated sales of €1,806,316,000, gross operating profit (EBITDA) of €219,462,000, net operating profit (EBIT) of €156,701,000 and income (before adjustments to financial assets, extraordinary items, income taxes and minority interests in income) of €123,326,000. For the nine months ended September 30, 2002, the Company reported consolidated sales of €5,663,454,000, gross operating profit (EBITDA) of €687,335,000 and net operating profit (EBIT) of €453,403,000. The Company also reported in both disclosures that the total consolidated shareholders’ equity as of September 30, 2002 was €2.426 billion.

650. The Company also reported that net debt had decreased to €1,966,000,000 as of September 30, 2002, compared to €2,015,000,000 as of June 30, 2002, and that operating cash flow was used to cover the cost of investment and working capital requirements. The Company provided an analysis of net debt in the DR3Q02 in the form of the following chart:

(thousands of euros)	September 30, 2002	June 30, 2002	December 31, 2001
<i>Bank debt and debenture loans</i>			
Short-term	1,167,644	1,125,540	831,215
Medium-term convertible bonds	938,000	938,000	631,200
Other medium-term	3,211,451	3,243,646	3,462,692
Total bank debt and debenture loans	5,317,095	5,307,186	4,925,107
<i>Cash and cash equivalents</i>			
Short-term	3,278,789	3,219,099	2,924,427
Medium-term	72,615	72,675	44,275
Total cash and cash equivalents	3,351,404	3,291,774	2,968,702
Total debt net of cash and cash equivalents	1,965,691	2,015,412	1,956,405

651. With respect to the Company's results for the first nine months of 2002, the November 8, 2002 press release and the DR3Q02 noted the following:

The performance was positively influenced by organic growth of 5.4%, in value terms and the 1% change in the basis of consolidation. On the other hand, turnover was hit by the weakness of a number of the main currencies in which the Group operates against the euro, primarily those of South American countries, which reduced the value of sales by 8.9%.

652. In discussing the Company's "Operating Outlook," the November 8, 2002 press release emphasized that performance would be in line with that of the first nine months and that the Company would meet its strategic targets, stating:

Last quarter organic volume growth should exceed the increase seen in the first nine months of the year, while it is not possible to predict the performance of consolidated revenues, expressed in euros, given that this will depend on exchange rates over the final quarter.

The operating performance should enable the Group to maintain consolidated operating profit margins in line with the figures for the first nine months of the year.

The Board of Directors has clinched that the Group development plans will focus on organic growth, thus, confirming the Group strategic targets identified a while ago.

KK. The December 2002 Notes and Bond Offerings

653. Parmalat Finance Corporation B.V. disseminated a pricing supplement, dated December 10, 2002, for the issuance of €150 million 5.25% Guaranteed Notes due December 13,

2004. These Notes were Series 3, Tranche 1 of the € billion Debt Program issued pursuant to the August 23, 2002 offering circular.

654. Parmalat Soparfi S.A. also disseminated an offering memorandum, dated December 11, 2002, for the issuance of €46,400,000 Zero Coupon Equity Linked Bonds due December 12, 2022.

655. Morgan Stanley & Co. International Limited, an affiliate of Morgan Stanley, was the sole manager of the December 11, 2002 bond offering.

656. The December 11, 2002 offering memorandum incorporated by reference: the annual reports and audited consolidated financial statements of Parmalat Finanziaria for the years ended December 31, 1999 and December 31, 2000; the annual reports and audited consolidated financial statements of Parmalat S.p.A. for the years ended December 31, 1999 and December 31, 2000; and the annual reports and audited non-consolidated financial statements of Parmalat S.p.A. for the years ended December 31, 1999 and December 31, 2000.

LL. The December 2002 Note Offering

657. On or about December 12, 2002, according to the PwC Report, Parmalat Netherlands B.V. through Bank of America, issued \$40 million of 6.46% Senior Notes due December 12, 2009, to be privately placed in the U.S.

658. On or about December 12, 2002, according to the PwC Report, Parmalat Netherlands B.V. through Bank of America, also issued \$75 million of 7.15% Senior Notes due December 12, 2012, to be privately placed in the U.S.

659. Private placement memoranda regarding these notes were disseminated to investors in June 2002 and October 2002. These memoranda included Parmalat S.p.A.'s falsified audited financial statements as of year-end 2001. The private placement memoranda for

additional Senior Guaranteed Notes issued to U.S. investors beginning in 2002, also included Parmalat S.p.A.'s falsified audited financials for the fiscal year 2002.

MM. Parmalat's Statements In February 2003

660. As reported in *AFX European Focus* on February 5, 2003, Calisto Tanzi said in an interview with the newspaper *Il Sole 24 Ore* that he was not concerned by the Group's €1.965 billion debt. He was further quoted as stating that Parmalat might have to buy the 18% stake in its Brazilian Unit from investors for approximately €400 million at year end if the Brazilian Unit's planned listing is not carried out. Tanzi also was reported as stating that the Group's acquisition program was completed, and that Parmalat intended to expand its business in the coming years and to gradually reduce its debt.

661. On or about February 27, 2003, in response to rumors in the market about the Company's financial condition, including its high amount of debt, Parmalat issued two press releases, one addressing the rumors and rejecting any suggestion that the Company was experiencing financial difficulties, and another announcing that the Company was withdrawing a proposed bond offering. In one of the press releases issued that day, the Company addressed the "negative" rumors about the viability of the Company as follows:

Following the recent speculations and rumors circulating in the market, with respect to the economic and financial viability of the Group, Parmalat states as follows:

- The Group continues to enjoy the economic and financial solidity as demonstrated by the last results published last September 2002. In this context, we have not registered any deterioration of the conditions compared with what was announced to the market.
- 2002 results to be published shortly (March 28th) will confirm the positive trends of the group registered in practically all countries in which the company operates.
- The first months of 2003 are showing volumes and margins higher than the Company's expectations.

- The current net financial position of the Group is an improvement compared to that published on 30th September 2002 and equal to €1.956 MLN.
- The bond issue announced to the market is motivated by the intention to tap the institutional investors market - following an intense communication activity with the major European institutional investors over the last month - and will be finalized if its conditions will be judged satisfactory by the Company.
- The Group is considering legal actions against those sources which circulated false information on the solidity and credibility of the Group and its representatives.

662. In the second press release announcing the withdrawal of a proposed bond offering, the Company stated:

Parmalat has decided not to go ahead with the proposed bond issue having given due consideration to the terms and conditions at which such transaction would have been closed in changed market environment. Such a decision has been taken as the Group does not have any immediate need for funds and despite the more than satisfactory demand coming from institutional investors, to whom this transaction, for the first time, was solely dedicated. The aforesaid termination has been reached in consideration of the final cost, the cited conditions in both the debt and stock markets as well as various speculations which do not reflect the fundamental credit strength of the group.

663. The withdrawn bond offering was to have been for €300 million and seven years at 7.75%. The two February 27, 2003 press releases halted the drop in the market price of Parmalat shares, and the price rose again after their dissemination.

664. However, despite announcing its plan to scrap the seven year bond issue, as reported on March 6, 2003 in *AFX European Focus*, Parmalat had been asked by institutional investors to improve its corporate disclosures and to hold a meeting with the financial community. The Company's stock price thereafter declined but, over the period March 19 through March 21, 2003, the price improved again, in part on reports of analysts' expectations for Parmalat's improved communications to the market.

665. Following the Company's issuance of the February 27, 2003 press releases, in March 2003, the financial press reported that CONSOB, the Italian stock market regulator, submitted a formal request to Parmalat to explain the Company's high cash reserves given the elevated level of its debt.

NN. The 2002 Annual Report

666. On or about March 28, 2003, the Company disseminated the Company's financial statements and the Parmalat Group's consolidated financial statements as of and for the year ended December 31, 2002, and the Board of Directors' Report for fiscal year 2002 ("SCFS02"). It also issued on that day a press release summarizing the Company's earnings for the year ended December 31, 2002. The positive financial results were disseminated on global news wire services including PRLine and AFX European Focus.

667. In describing the Company's performance during 2002, the SCFS02 and the press release trumpeted the Company's sales volume increase and "organic growth," stating:

Despite . . . a difficult business environment, the Parmalat Group reports an increase in sales volumes, thanks to the strength of the brand. The Group proceeded with its product innovation programs and with its planned rationalization and technological upgrading of production and distribution units, which will lead to cost savings in the coming years.

* * *

In 2002 consolidated sales amounted to 7,590 million euros, representing a decrease of 212 million euros, or 2.7% versus the previous year. Sales benefited from organic growth of 8.1% in value terms, while changes in the basis of consolidation accounted for growth of 0.8%. On the other hand, turnover was negatively affected by the devaluation of a number of the group's operating currencies against the euro, primarily those of South American countries, which reduced the final figure of sales by 11.6%.

668. The SCFS02 and the press release reported consolidated Group sales of €7,590,000,000, gross operating profit (EBITDA) of €931,000,000, net operating profit (EBIT) of €13,000,000 and total shareholders' equity of €2.25 billion. The SCFS02 reported

consolidated total assets of €10,281,884,000 and total liabilities of €8,032,222,000 and, for the Company, it reported total assets of €1,979,662,035 and total liabilities of €1,048,337,046.

669. The SCFS02 and the March 28, 2003 press release reported that consolidated net debt as of December 31, 2002 was €1,862,000,000 representing an improvement of €94 million compared with December 31, 2001. The Company disclosed its total bank debt and total debt net of cash in the form of the following chart:

(millions of euros)	December 31, 2002	December 31, 2001
<i>Bank debt and debenture loans</i>		
Falling due within 12 months	1,155.685	831.215
Falling due between 1 and 5 years	2,980.888	2,475.235
Falling due beyond 5 years	1,299.237	1,618.657
Total bank debt and debenture loans	5,435.810	4,925.107
<i>Cash and cash equivalents</i>		
Cash on hand and at banks	950.620	1,464.777
Short-term financial assets	2,412.945	1,459.650
Other investment securities	210.134	44.275
Total cash and cash equivalents	3,573.699	2,968.702
Total debt net of cash and cash equivalents	1,862.111	1,956.405

670. The Company also reported in the SCFS02 and the March 28, 2003 press release that its issuances of bonds enabled it to refinance existing debt and finance acquisitions:

In addition to the issue of the above bonds, in 2002 capital was primarily raised by placing medium-term bonds issued by overseas subsidiaries, which enabled the Group to refinance a portion of its existing debt. Such borrowing is primarily linked to the funds raised to finance the significant acquisitions carried out in recent years. We believe we have obtained the best possible conditions from the capital markets for the issue of such instruments, given the high volatility of the markets during 2002. On occasion the Group was able to obtain conditions below the market average for companies with similar credit ratings.

The Group aims to achieve a gradual reduction in net debt via the use of free cash flow and efficient liquidity management. This will lead to an improved debt to equity ratio, which was adversely affected compared with 2001, by the devaluation of the Group's principal operating currencies against the euro.

* * *

Operating cash flow (represented by EBITDA less net interest expense) amounted to 774 million euros, compared with the 828 million euros of

2001. Self-financing (profit for the year + amortization + depreciation + fixed assets devaluation), calculated as the net profit attributable to the Group and minority interests plus amortization and depreciation, amounted to 605 million euros compared with the 633 million of 2001.

Cash flows provided by operating activities were in part used to cover financial needs arising from capital expenditure and working capital requirements.

671. Parmalat did not disclose in its SCFS02 that the Company was involved in various asset transfers to parties dominated and controlled by the Tanzi family. Instead of disclosing this information, the SCFS02 merely stated as follows:

Related party transactions

In compliance with CONSOB circulars no. 97001574 dated 20 February 1997 and no. 98015375 dated 27 February 1998, a summary of data as of December 31, 2002 regarding the Group's related transactions is provided below. . . .

(Thousands of €)	As of December 31, 2002		2002	
	Accounts Receivable	Accounts Payable	Income	Expenses
HIT Group	3,969	3,272	632	4,334
Cosal Srl	9,526	n/a	297	n/a

Transactions with the HIT Group, which operates in the travel and tourism sector, are all trade related. Income mainly concerns the supply of our products to hotels belonging to the HIT Group, whereas expenses relate to costs incurred for travel and trips on the part of the staff of consolidated companies. Transactions with Cosal S.r.l. refer to financial receivables for a loan granted in 2002 with interest rates established on an arm's length basis.

672. The Company's SCFS02 also provided the following chart, with no explanation of related party transactions:

(thousands of euros)	Subsidiaries	Associated companies	Parent companies	Subsidiaries of the Parent Company
Accounts receivable as of December 31, 2002	1,053,026	=	=	=
Accounts payable as of December 31, 2002	664,857	=	3,914	=
Financial income relating to 2002	81,852*	=	=	=
Other income relating to 2002	3,309	=	=	=
Financial expense relating to 2002	31,231	=	119	=
Other expense relating to 2002	14	85	=	=

*net of the tax credit on dividends

673. With respect to accounts receivables, the Company reported in its SCFS02 that they had decreased, as reflected in the following chart that the Company presented:

(thousands of euros)	Due within 12 months	Due beyond 12 months and within 5 years	Due beyond 5 years	Total
Due from customers	1,143,720	41,907	0	1,185,627
Due from subsidiaries	262	25	0	287
Due from associated companies	5,317	0	0	5,317
Due from others	224,931	70,624	1,764	297,319
Provisions for doubtful accounts	(68,009)	0	0	(68,009)
Total accounts receivable	1,306,221	112,556	1,764	1,420,541

674. The Company explained that its decision to pull the €300 million seven year bond offering was based upon a negative reaction in the market:

At the end of February, the placement of a seven year debenture loan of 300 million euros, extendable up to 500 million euros, was launched via a foreign subsidiary. The entire debenture loan has been placed with institutional investors in order to directly access this market. The funds deriving from the placement were earmarked exclusively for the repayment of existing debt.

Announcement of the issue met with a negative reaction from the markets, characterized by obvious speculative intentions, and was clearly not seen from the point of view of its positive aspects. Parmalat consequently decided not to go ahead. This decision was based on the existence of unfavorable market conditions and took account of the Company's overall financial situation, which does not render the transaction indispensable, especially given the unexpectedly excessive nature of the charges, which do not reflect the Group's credit rating.

In a note published on February 28, thus subsequent to the withdrawal of the placement, the well known international rating agency, Standard & Poor's, confirmed the Group's BBB- rating with a positive outlook.

675. Finally, the Company again confirmed that its operating outlook was positive and in line with past trends, stating:

The performance of the Group's volume sales during early 2002 is positive.

The worldwide launch of innovative milks and fruit juices, which have been profitably introduced into the Italian and European markets, continues.

Organic volume growth is expected to remain in step with the trend seen in 2002, whilst it is not possible to predict the performance of consolidated revenues, expressed in euros, given that this will depend on exchange rates over the year.

The Group is proceeding with its planned rationalization of production and distribution activities, alongside the upgrading of technology used in production, with a view to further streamlining operations. Such initiatives should enable the Group to keep consolidated operating profitability in line with 2002.

The Group's growth strategies will concentrate on achieving organic growth. It does not expect to make any significant acquisition over the med-term, with the possible exception of the purchase of the 18.18% of the Brazilian company, Parmalat Administracao Ltda, held by institutional investors. The acquisition, scheduled for the end of 2003, will require an investment of almost 400 million U.S. dollars and will go ahead should the planned listing of the company's shares not take place.

676. On or about April 10, 2003, Tanzi, S. Tanzi, Ferraris (who had recently been appointed Chief Financial Officer) and Del Soldato made a presentation to the financial investment community of Parmalat's fiscal year-end 2002 results and strategies. In the presentation (slides of which were also made available on the Company's website), the Parmalat representatives reported, among other things, that Parmalat's phase of rapid expansion was substantially completed and that the focus would be on consolidation and maximizing the value of the expansion. They represented that Parmalat was committed to providing attractive returns to shareholders.

677. At the presentation, the Parmalat representatives provided a breakdown of Parmalat's capital structure as of December 31, 2002, in the following manner:

CAPITAL STRUCTURE	
(Euro mm) 31 December 2002	
Debt within 2003	1,155
Debt between 2004-2005	2,981
Debt beyond 2005	1,299
TOTAL DEBT	5,435
Bonds	2,721
Convertibles	938
Banks	1,776
TOTAL DEBT	5,435
Cash	950
Short term sec*	2,413
Long term sec	210
TOTAL LIQUIDITY	3,573
NET DEBT	1,862
Net Debt/Shareholders Equity	0.83%
Repurchased bonds	(amount netted during the consolidation of the accounts) 2,186

*including: banks securities, monetary funds, government bonds (developed countries), international bonds (A rated)

678. The Parmalat representatives explained that Parmalat needed to manage debt and cash levels efficiently, both on a Group level and on an individual country level. They told the analysts and others present at the meeting that the Group's treasury operations were helped by the existence of liquid assets. They also represented that any adjustments to the balance sheet structure would be made with due care and would not involve short term wholesale changes, such as major bond buy backs, that for the short term Parmalat had no plans for any new bond issues, and that the Company was considering reducing the use of equity linked instruments, such as convertible bonds.

679. In the presentation, the Company representatives reported that EBITDA margins would grow over the next few years and the net debt-to-equity ratio would improve, from 83% as of December 31, 2002, to 50% at the end of 2005, through a gradual reduction of net debt, directing free cash flow generated by operations to reduce debt. Parmalat also represented that

the Group's liquidity in fiscal year 2002 had been invested primarily in short-term financial instruments at best market conditions, with a low-risk profile and a minimum rating of a Single A, which averaged returns of 3.5% after tax.

680. In reviewing the Company's credit ratings, the Parmalat representatives highlighted Standard & Poor's observations that the Group's liquidity position was adequate in light of its good free cash flow generation and manageable debt maturities.

681. On or about April 10, 2003, Parmalat also issued a press release reiterating many of the representations made at the April 10, 2003 presentation, emphasizing, among other things, that the Company's top management believed that "expectations of constant volume growth over the next three years can be confirmed."

682. News sources, including *AFX European Focus* on April 10, 2003, and *II Sole 24 Ore* on April 11, 2003, reported on the analyst meeting. The April 10, 2003 article in *AFX European Focus* quoted Ferraris as stating: "bonds were bought back with the group's liquidity as part of the effort to manage the group's debt" claiming that Parmalat "had the cash so [the bond buy-back] was cheap." In response to the question of how Parmalat would replace bonds maturing in 2003, Ferraris was reported to have stated that Parmalat "will choose the time and conditions" and that the Group had €3 billion of cash resources. He also stated that the analyst meeting demonstrated the Company's "desire to communicate with shareholders."

683. After the analyst meeting, Parmalat shares rose on April 10, 2003, by 3.85% to €2.02. On April 15, 2003, the share price rose an additional 2.59% to €2.175.

684. Parmalat also disseminated two Reports by Deloitte, both dated April 14, 2003 and signed by its partner, Giuseppe Rovelli, certifying that Parmalat's 2002 financial statements and the Parmalat Group's consolidated financial statements, respectively, accurately reflected the

true financial condition of the Company. The Reports stated that, in Deloitte's opinion, the financial statements presented fairly the financial position of the Company and the Group, respectively, as of December 31, 2002, and the results of operations for the fiscal year.

685. Parmalat also issued the Board of Statutory Auditors' Report, dated April 14, 2003, on the fiscal 2002 financial statements. In their Report, the Statutory Auditors represented that they had carried out the checks required by law in accordance with principles for boards of statutory auditors established by the Italian accounting profession, and in coordination with Deloitte's activities. The Board of Statutory Auditors reported that they attended all of the Board of Directors meetings held in 2002 and that the Chairman, Brughera, participated in six meetings of the Internal Audit Committee. The Report described Parmalat's acquisition of Citicorp's holdings in Parmalat Canada Ltd. as one of the significant events impacting the Company's and its subsidiaries' financial position and results of operations during the year.

686. The Board of Statutory Auditors also reported that it was unaware of any unusual or atypical related party or inter-company transactions, that the notes to the Company's and the Group's financial statements reported all such transactions which included those with the HIT Group which were for trade-related purposes, and that the information in the notes was adequate in light of the size and structure of the Company.

687. The Statutory Auditors further reported that purported irregularities in the Company's financial reports that certain shareholders had asked them to investigate were deemed unfounded in both law and fact. The Statutory Auditors also stated that they carried out their duty to supervise the administration of the Company by direct observation, receipt of information from management and meeting with Deloitte. They stated that the Board of Statutory Auditors had assessed and checked the adequacy of the system of internal controls and

the administrative and accounting system by, among other things, obtaining information from department managers, examining company documents and analyzing the results of the work conducted by Deloitte. They stated that the manager of internal controls reported regularly to them. They also stated that they verified, through direct checks and the information received from the outside auditors, compliance with laws relating to the form and content of the Company's financial statements and the Group's consolidated financial statements, and of the Board of Directors' Report. In their conclusion, the Board of Statutory Auditors recommended to Parmalat's shareholders that they approved the fiscal year 2002 financial statements.

688. At the Annual Shareholders' Meeting held on April 30, 2003, Parmalat's shareholders approved the 2002 financial statements. The shareholders also approved the appointment of Del Soldato to serve as a director through year end December 31, 2003.

689. On April 30, 2003, the Company issued a press release announcing that Parmalat's shareholders had voted at the Annual Shareholders Meeting to approve the financial statements for the year ended December 31, 2002. The positive results reported by Tanzi at the annual shareholders' meeting were also reported in *AFX European Focus* that same day.

690. The statements made and the financial information disclosed by Parmalat, from the issuance of the first quarter fiscal year 2002 Directors' Report through the issuance of the April 30 press release, including each of the bond offering materials described above that were disseminated during that same period, were made with the active participation of the Individual Defendants, Grant Thornton, Deloitte, Zini and Zini & Associates, and the Company's bankers, lenders and financial advisors, including Citigroup, Bank of America, Deutsche Bank, UBS, CSFB and Morgan Stanley, and were all materially false and misleading. These defendants knew that while Parmalat was issuing its financial results, it also continued its fraudulent

schemes involving a variety of improper practices, such as booking sales on non-existent transactions, fabricating assets, reclassifying debt, improperly recording debt as equity, hiding the Company's debt in off-shore special purpose entities, embezzling Company funds for the benefit of Tanzi and his family's entities and understating the Company's debt by falsely representing that it had repurchased and retired various debt securities. Each of these schemes enabled Parmalat to perpetuate the appearance of profits and to hide its massive and growing debt. As a result of this fraud, the revenues, profits, earnings, liquidity and assets of Parmalat and the Parmalat Group were materially overstated and the reported debt was materially understated.

691. As reported in the Chiaruttini Report, Parmalat's total consolidated shareholders' equity for the year ended December 31, 2002 of €2,249,662,000 was overstated by €9,087,065,362, and consolidated EBITDA for that period of €31,270,000 was overstated by at least €788,266,000 and the actual figure of €143,004,000 should have been recorded.

OO. The 2003 First Quarter Report

692. On or about May 15, 2003, Parmalat disseminated its Directors' Report on Operations for the First Quarter ended March 31, 2003 ("DR1Q03"), and on the same day, it issued a press release detailing its financial performance for the quarter. Global news sources, including *AFX European Focus* and *La Stampa*, carried the news that day of the Company's positive financial results.

693. The Company stated in the DR1Q03 that it had been prepared in compliance with generally accepted principles for consolidated accounts and in conformance to the standards established by the Italian accounting profession and international accounting principles.

694. The press release and the DR1Q03 reported consolidated sales of €1,622,032,000, gross operating profit (EBITDA) of €196,608,000, net operating profit (EBIT) of €124,571,000

and consolidated shareholder equity of €2,190,000,000. The DR1Q03 also reported income before adjustments to financial assets, extraordinary items, income taxes and minority interests in income of €71,345,000.

695. The DR1Q03 and the press release also provided the Company's analysis of net debt in the form of the following chart:

(thousands of euros)	March 31, 2003	December 31, 2002
<i>Bank debt and debenture loans</i>		
Short-term	1,173,030	1,155,685
Medium-term convertible bonds	1,184,400*	938,000
Other medium-term	3,051,867	3,342,125
Total bank debt and debenture loans	5,409,297	5,435,810
<i>Cash and cash equivalents</i>		
Short-term	3,323,463	3,363,565
Medium-term	227,307	210,134
Total cash and cash equivalents	3,550,770	3,573,699
Total debt net of cash and cash equivalents	1,858,527	1,862,111

*includes the "Parmalat Soparfi SA euro 246,400,000 guaranteed zero coupon equity linked bonds due 2022" reclassified to "Convertible bonds" following the resolution passed by the Extraordinary General Meeting of April 30, 2003, regarding a capital increase of 80 million euros, to take place via the issue of up to a maximum of 80 million ordinary shares with a par value of 1 euro each, at an issue price to be set at 3.08 euros per share, and to be used exclusively to redeem the above Parmalat Soparfi 2002/2022 bonds, which are redeemable, at Parmalat Soparfi's discretion, via their conversion into ordinary share of Parmalat Finanziaria.

696. Finally, in the DR1Q03 and the press release, the Company assured investors that it would meet its performance targets, providing the following positive forecast for 2003:

Forecasts for 2003 as a whole indicate that organic volume growth should remain in step with the Group's targets. It is not, however, possible to predict the performance of consolidated revenues, expressed in euros, given that this will depend on exchange rates over the year.

The operating performance should enable the Group to maintain the EBITDA margin reported for the first quarter of the year.

697. On or about June 18, 2003, Parmalat issued a press release confirming the successful completion of a €300 million bond issue and confirming its debt policy. The press release stated the following:

Parmalat confirms its debt policy and, above all, the fact that the Group, in the medium term, will not issue convertible bonds or, in the short term,

bonds for placement on the so-called retail market. The Group does, however, intend to exploit any market opportunities to raise new funds at advantageous conditions to be used to refinance a part of its existing short-term debt.

An example of this approach was provided by the recent private placement involving a single institutional investor. The new 300-million-euro, floating-rate issue, which matures in 2008, is indexed to Euribor plus 305 basis points.

698. The bond issue, as reported in *Il Sole 24 Ore* on June 20, 2003, among other news sources, was issued by Parmalat Finance Corporation B.V. to Nextra, with Morgan Stanley as the underwriter. As shown below, the Company failed to adequately disclose the true nature of the bond issuance.

699. In response to a critical article which appeared in *La Repubblica* on July 7, 2003, concerning the Company's valuation of its bond issues and following a formal request earlier in the year by CONSOB for that information, on or about July 10, 2003, the Company issued the following press release in an attempt to refute what it deemed to be misinformation in the financial markets:

As of December 31, 2002 the Parmalat Group had issued outstanding bonds with a total value of €5.9bn, of which €2.2bn repurchased by consolidated subsidiaries.

In the consolidated accounts all intercompany creditors and debtors are eliminated and, therefore, net debt posted in the consolidated financial statements as of December 31, 2002 in relation to bonds in issue totals €3.7bn. Such bonds are recorded under the following items:

- bonds maturing within 12 months, amounting to €0.1bn;
- bonds maturing beyond 12 months, amounting to €0.5bn;
- convertible bonds maturing beyond 12 months, amounting to €0.9bn;
- bonds that, as reported in the notes to the consolidated financial statements, are posted to bank debt, with €0.2bn falling due within 12 months and €2bn falling due beyond 12 months.

– The figures published in the article in La Repubblica were based on data provided by sources outside our Group, above all, information published by Bloomberg regarding the total value of bonds in issue as of December 31, 2002. This reports a value of €7bn, a figure not in line with the above-mentioned €5.9bn.

An analysis of the Bloomberg charts reveals that this discrepancy is due to:

– a zero coupon bond issued by Parmalat Finance Corp. B.V. with a value at maturity on February 18, 2028, as reported by Bloomberg, of €17m; the consolidated financial statements as of December 31, 2002 report an accrued value of €5m at the balance sheet date;

– a zero coupon bond issued by Beatrice Food with a value at maturity on November 19, 2026, as reported by Bloomberg, of US\$75m; the consolidated financial statements as of December 31, 2002 report an accrued value of €3m at the balance sheet date;

– four series of preference shares issued by Parmalat Capital Finance Limited with par values of ITL200bn, US\$100m, GBP100m and €477m; as reported in the notes to the consolidated financial statements, such issues are posted to “minority interests in equity”;

– exchange rate hedges linked to bond issues, which had a positive €3m impact on debt;

– three bonds issued in US dollars totaling US\$725m; in the consolidated financial statements such bonds are converted into euros at the closing exchange rate and are, therefore, subject to exchange rate movements not consistent with the Bloomberg data.

As of June 30, 2003, bonds repurchased by consolidated subsidiaries amount €2.2bn.

The Group’s liquidity is invested in low-risk, short-term financial instruments, at the best possible market conditions, until it is needed to meet the Group’s financial requirements (investment, the redemption of bonds on maturity, etc.). The financial business plan forecasts a reduction in such liquidity of almost €900m by the end of 2005.

700. On July 8, 2003, *AFX European Focus* reported Parmalat’s Deputy Chairman, Domenico Barili, as stating that Parmalat expected 2003 results to be very positive and higher

than the prior year, that the Group was “doing well” especially in its core dairy and fruit juice business, and that the conversion of bonds to equity was very remote.

701. On or about August 6, 2003, it was reported in the financial press that CONSOB requested a review of the Company’s audit work papers for the fiscal year 2002 audit, which was performed by Deloitte and Grant Thornton. The auditors provided CONSOB with the requested documentation by September 23, 2003.

PP. The July 2003 Notes Offerings

702. Parmalat Finance Corporation B.V. disseminated a pricing supplement, dated July 1, 2003, for the issuance of €10 million 5.20% Guaranteed Notes due July 3, 2008. These Notes were Series 5, Tranche 1 of the €2 billion Debt Issuance Program issued pursuant to the offering circular dated August 23, 2002.

703. UBS Limited, an affiliate of UBS, was the sole Dealer in the July 1, 2003 pricing supplement.

704. Parmalat Finance Corporation B.V. also disseminated a pricing supplement, dated July 31, 2003, for the issuance of €10 million 5.10% Guaranteed Notes due July 3, 2008. These Notes were Series 4, Tranche 1 of the €2 billion Debt Issuance Program pursuant to the Offering Circular dated August 23, 2002.

705. UBS Limited, an affiliate of UBS, was also the sole Dealer in the July 31, 2003 pricing supplement.

QQ. The August 2003 Notes Offering

706. Parmalat Finance Corporation B.V. disseminated an offering circular, dated August 25, 2003, for a €2 billion Debt Issuance Program.

707. The following affiliates of Citigroup, Deutsche Bank and UBS, respectively, were among the dealers of the Program: Citigroup Global Markets Limited, Deutsche Bank AG London and UBS Limited.

708. The August 25, 2003 offering circular incorporated by reference relevant pricing supplements, audited annual reports and interim reports (both audited or unaudited) of Parmalat Finance Corporation B.V. and Parmalat S.p.A.

RR. The 2003 Half Year Report

709. On or about September 11, 2003, Parmalat issued a press release and a Half-Year Report for the Period January-June 2003 ending June 30, 2003 (“HYR03”) which included the Board of Directors’ Report on Operations, Parmalat’s financial statements and the Group consolidated financial statements for that period. The HYR03 stated that the financial statements were prepared in accordance with CONSOB rules. On that same day, news sources, including Company New Groupe, reported on the Company’s positive half-year 2003 financial disclosures.

710. The press release and the HYR03 stated that the Parmalat Group’s principal operating results for the period were “heavily conditioned” by the depreciation of the Group’s main operating currencies with respect to the euro, and a year marked by ongoing stagnation of the world economy and by the recession that had hit a number of emerging nations. Parmalat stated that, nevertheless, the Group “confirmed its position in the markets” in which it operated, holding consolidated operating margins substantially in line with those reported during the first half of 2002 and during 2002 as a whole.

711. The Company reported in its half-year 2003 disclosure documents consolidated sales for the period of €3,857,000,000, gross operating profit (EBITDA) of €12,918,000, a decrease over the first half of 2002, and net operating profit (EBIT) of €269,900,000. According to the press release, the Group booked extraordinary charges for the first half of 2002 resulting

from its continuing restructuring of its manufacturing and commercial operations but that, despite those charges, the Group had “significant” consolidated pre-tax profit of €120 million. Both disclosure documents reported total consolidated shareholders’ equity as of June 30, 2003 of €1.1 billion, a decrease from December 31, 2002 that the Company attributed entirely to the negative performances of a number of operating currencies. In the HYR03, the Company reported consolidated total assets of €10,211,504,000 and total liabilities of €8,111,330,000, and for the Company itself, it reported total assets of €2,001,818,912 and total liabilities of €1,061,786,417.

712. The Company also provided in both disclosure documents a breakdown of its debt, as of June 30, 2003, in the form of the following chart:

(millions of euros)	June 30, 2003	December 31, 2002
<i>Bank debt and debenture loans</i>		
Falling due within 12 months	1,245.768	1,155.685
Falling due between 1 and 5 years	2,852.754	2,980.888
Falling due beyond 5 years	1,248.636	1,299.237
Total bank debt and debenture loans	5,347.158	5,435.810
<i>Cash and cash equivalents</i>		
Cash on hand and at banks	866.582	950.620
Short-term financial assets	2,455.610	2,412.945
Other investment securities	214.885	210.134
Total cash and cash equivalents	3,537.077	3,573.699
Total debt net of cash and cash equivalents	1,810.081	1,862.111

713. The HYR03 and the press release provided further details on the Company’s bonds and reiterated its policy with respect to issuing new bonds:

. . . the Group has bought back and/or subscribed a part of the bonds issued. Such intercompany transactions have no impact on the consolidated financial position, are economically beneficial and are primarily carried out, at favorable market conditions, in order to invest a portion of the liquidity deriving from financing subject to lower interest rates compared with the financial cost of the bonds bought back.

Parmalat hereby re-confirms its debt management policy and, in particular, the fact that the Group will not issue either convertible bonds over the medium term or debenture stock to be placed on the so-called retail market over the short term. The Group does, however, intend to

exploit market opportunities that would enable it to raise new funds at advantageous conditions to be used to refinance a part of its short-term debt over the medium to long term. To this end, the Group intends to buy back a part of the bonds due to mature over the next 24 months. In addition, the new funds will give the Group greater flexibility in meeting its short-term financial commitments. The following transactions fall entirely within this context:

- floating rate bonds worth 300 million euros issued in July by Parmalat Finance Corporation B.V. (subscribed by a sole Italian institutional investor) maturing July 2008 indexed to Euribor plus 305 basis point.
- structured bonds issued in July by Parmalat Finance Corporation B.V. maturing July 2008, arranged and underwritten by UBS, which generated net proceeds of 130 million euros; the structure determined allows for a net cost below Euribor;

In relation to short-term financial commitments, it should be noted that the Parmalat Group could be obliged to acquire the 18.18% of its Brazilian subsidiary, Parmalat Empreendimentos e Administracao Ltda, owned by North American institutional investors, should the planned listing of the company's shares not take place by the end of 2003. The acquisition will require an investment of approximately 400 million US dollars.

In view of the ongoing weakness of the financial markets, we currently believe that it is unlikely that the listing of Parmalat Empreendimentos e Administracao Ltda will take place within the agreed deadline. Unless we are able to renegotiate the conditions agreed with the North American institutional investors, Parmalat will therefore be required to honor its commitment to buy out the minority holding in the Brazilian company.

714. In the HYR03 and the related press release, Parmalat stated that the Parmalat Group's liquid assets were invested in short-term, low-risk financial instruments at the best possible market conditions, before being used to meet the Group's financial requirements for such items as investment and the repayment of loans on maturity. Parmalat further stated that its financial business plan foresees that liquidity of almost €900 million would be used to reduce the Group's financial debt by the end of 2005. The Company stated that it used operating cash flow of €348,200,000, in part, to cover financial needs that arose from capital expenditures and

working capital requirements. Both disclosure documents also referred to Standard & Poor's August 19, 2003 BBB-rating and positive outlook for the Group.

715. The Half-Year 2003 disclosure documents also reported that the Company's net profit was €10 million for the period, compared with €26.7 million of the same period of the prior year due, primarily to a reduced dividend paid by Parmalat S.p.A. during the first half of the year. The Company reported that the Company's assets primarily consisted of the value of its equity investments in subsidiaries, totaling €15,300,000 and unchanged over the prior year, and loans granted to subsidiaries of €1.074 billion, compared with €1.053 billion as of December 31, 2002.

716. In describing its consolidation principles, the Company disclosed that inter-company payables and receivables, inter-company income and expenses, and any "significant inter-company profits included in inventory and deriving from consolidated companies, have been eliminated." The Company also reported in "current assets" accounts receivables in the form of the following chart, and disclosed in its notes to the consolidated financial statements that "accounts receivables have been adjusted to reflect their estimated realizable value by means of a provision for doubtful accounts:"

(thousands of euros)	Due within 12 months	Due beyond 12 months and within 5 years	Due beyond 5 years	Total
Due from customers	1,280,078	42,709	0	1,322,787
Due from subsidiaries	1,376	25	0	1,401
Due from associated companies	1,320	0	0	1,320
Due from others	235,872	71,172	1,862	308,906
Provisions for doubtful accounts	(71,117)	0	0	(71,117)
Total accounts receivable	1,447,529	113,906	1,862	1,563,297

717. The HYR03 also stated that, with respect to related party transactions, all such "transactions relate to ordinary Group operations conducted on an arm's length basis. No

atypical or unusual transactions were carried out.” The HYR03 provided the following table in this regard:

(Thousands of €) As of June 30, 2003				
	Accounts receivable	Accounts Payable	Income	Expenses
Parmatour Group	2,005	3,842	52	1,162
Cosal Srl	8,756	0	319	0

718. The HYR03 further explained that, with respect to related party transactions:

Transactions with the Parmatour Group (formerly HIT), which operates in the travel and tourism sector, are all trade related. Income mainly concerns the supply of our products to hotels belonging to the Parmatour Group, whereas expenses relate to costs incurred from travel and trips on the part of staff of consolidated companies.

Transactions with Cosal S.r.l. refer to financial receivables for a loan granted in 2002 with interest rates established on an arm’s length basis.

719. In fact, as stated in Chiaruttini’s report, consolidated EBITDA for the period of €12,918,000, was overstated by at least €81,316,181, and the actual figure of negative €8,398,181 should have been recorded.

720. On or about September 15, 2003, Parmalat also made available on its website a presentation to the investment community entitled “Parmalat Group – H12003 Results and Strategies.” In that presentation, Parmalat reiterated aspects of the results of operations for the first six months ended June 30, 2003, as disclosed in the HYR03 and in the September 11, 2003 press release. In the September 15, 2003 presentation materials, the Company also included its analysis, previously provided in the July 10, 2003 press release, of the discrepancies between the balance sheet disclosures of the Group’s bond issuances as of December 31, 2002, and the data reported by Bloomberg.

721. In addition, in describing Parmalat's financial strategies for the Group, Parmalat stated in the presentation materials that it needed to manage debt and cash levels efficiently, both on a group level and on an individual country level. It further stated that the existence of some liquid assets continued to be a helpful element of the Group's treasury operations, and that global treasury management would be further emphasized, with the appointment of a new Treasurer starting in the fourth quarter of 2003. The Company again reiterated its commitment to direct the Group's full cash flow to debt reduction. It reported that the Group would refinance approximately €2 billion of debt expiring in the next five years, and would cover the remaining €1 billion of debt with its own resources. Parmalat also disclosed its plan to cut debt by €900 million with its own funds by end of 2005. The presentation quoted Standard & Poor's reports of August 19, 2003 and September 15, 2003 that gave Parmalat a stable outlook and a BBB – long term rating.

722. On or about September 15, 2003, Parmalat also issued a press release announcing that, together with Deutsche Bank, it had completed the sale of €350 million of 6.125% bonds. The press release noted that:

Following approval by the Board of Directors of Parmalat, under the presidency of Cav. Lav. Calisto Tanzi, the Parmalat Group issued today, via a fully owned foreign subsidiary, a seven years bond fully under written by Deutsche Bank, with a 6.125% yearly coupon, guaranteed by Parmalat S.p.A., within the EMTN program to which Standard & Poor's assigned a BBB.

Cav. Lav. Calisto Tanzi commented that "this transaction is perfectly in line with what declared in conjunction with the semiannual results of the Group and with the financial policy of the Group. The policy of gross debt reduction will require a partial reimbursement of short term bank debt and the buy back of part of the bonds due to expire in the next 24 months.

Deutsche Bank declares that they have assisted the Parmalat Group in completing this transaction which, by type, duration and conditions is considered by both parties as the most adequate to the financial strategies

of the Group, and can be assigned, other than to Deutsche Bank, to a restricted number of institutional investors.

The Group confirms its own financial debt management policy as shown in the recent press release dated 11th of September and, in particular, that the Group intends to use market opportunities to finance itself at competitive terms in order to refinance in the medium - long term debt. The Group confirms also its policy of gross debt reduction using internal resources for €900 million by 31 December 2005.

723. As reported in *AFX European Focus* on September 26, 2003, Ferraris stated that it would issue privately placed bonds to refinance debt would be at least €200 million in value and a five year maturity, and claimed that the Group was taking advantage of low interest rates to refinance the €2 billion of the €3 billion in debt that was due to expire in the next three years.

724. Parmalat also disseminated Deloitte's October 31, 2003 Report on the financial statements for the six months ended June 30, 2003. In its report, Deloitte disclosed for the first time to the investment community the existence of a \$640 million Parmalat "investment" in a Cayman Islands fund called Epicurum, which was created by Parmalat and Zini & Associates. Deloitte stated that it did not have sufficient information to certify the Company's first-half-year accounts. That report stated:

We have reviewed the accompanying interim financial information for the six months ended June 30, 2003, made up of the consolidated accounting schedules and related notes of Parmalat Finanziaria S.p.A. In addition, we have verified the consistency of the notes with the related information contained in the above accounting schedules.

Our review was made in accordance with the criteria for reviews recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange, under Resolution n. 10867 of July 31, 1997. The review of the six-month data of certain subsidiaries representing approximately 15% of consolidated assets and approximately 13% of consolidated income was carried out by other auditors who have provided us with a copy of their reports. In addition, we availed ourselves of the review performed by other auditors, who provided us with their report, in relation to a subsidiary company performing prevalently financial activities representing a significant part of the consolidated total assets. Our review consisted principally of applying analytical procedures to the

underlying financial data, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters. . . . In our review on the interim financial information for the six month data as of June 30, 2003 we have encountered the following limitations:

- a Group subsidiary holds a quota in an overseas mutual investment fund as of June 30, 2003 amounting to approximately Euro 477.7 million. The investment is carried out at subscription value and classified under current financial assets. At June 30, 2003 complete and detailed information is not available on the performance in the period and on the general situation of the fund, necessary to support the return matured and the valuation of the investment at that date.

The Company informed us that the first financial statements available regarding this fund will be those as of December 31, 2003, the period end of its first financial statements. Therefore, in the absence of this documentation, it was not possible to support the carrying value of these financial assets and the effects of the operations made by the fund in the consolidated interim financial information of the Group for the six-months period ended June 30, 2003. Among these operations are those described in the following paragraph, to which the aforementioned subsidiary was a counterparty.

In March 2003 a Group subsidiary signed a derivative financial contract with the investment fund mentioned in the preceding paragraph in which the parties are committed to settling on a quarterly basis, until 2007, with reference to a notional amount of Euro 850 million, the USD/Euro exchange differences matured compared to an initial agreed upon exchange rate. The Group received an initial amount of approximately USD 45 million (approximately Euro 40 million) on the signing of the contract, that was entirely credited to the income statement in the period under other revenues and income. In addition, the income statement for the period includes financial income of approximately USD 90 million (approximately Euro 81.7 million) as a consequence of favorable exchange rate fluctuations for the Group in the first quarter of the contract. In the absence of national accounting standards regarding these circumstances, it was considered appropriate to make reference to international accounting standards that will be shortly introduced for listed companies for the analysis of this treatment. In accordance with these standards the up-front payment recognized by the contract under consideration must be initially recorded as a liability; at the end of each subsequent period, the derivative contracts in course must be valued at “fair value” and, based on this assessment, the initial recorded value must be adjusted. Consequently, in the absence of an independent “fair value” valuation of this contract as of June 30, 2003, we are unable to confirm the

correct accounting treatment of the up-front amount received by the Group.

* * *

Based on our review, except for the possible effects, if any, related to the limitations mentioned in paragraph 2 . . . and the lack of information indicated in the preceding paragraph 4, we are not aware of any material modifications that should be made to the interim financial information mentioned in the first paragraph above in order for it to be in conformity with the criteria provided by CONSOB regulations for the preparation of interim financial information approved with Resolution N.11971 of May 14, 1999 as subsequently amended and supplemented.

725. Global newswire services, including *Il Sole 24 Ore*, carried the news on November 6, 2003, of Parmalat's announcement that it would promptly answer CONSOB's questions about the Group's balance sheet, including how Parmalat intended to make payment on its bond loan due December 31, 2004, and how it had invested €3.5 billion worth of liquid assets.

726. In the wake of this disclosure, the market price of Parmalat's common shares and bonds dropped significantly on heavy trading volume. To stem the market losses, Parmalat issued a press release on or about November 10, 2003. The press release purported to provide information sought by CONSOB in advance of the Company's November 14, 2003 issuance of its results for the third quarter 2003, ended September 30, 2003.

727. In the press release, the Company noted that the Group's current assets included, among other items, a €96.5 million investment in Epicurum, a foreign mutual fund, and stated that it was a short-term investment of one to three years. Parmalat also claimed that the current assets could all be liquidated on short term notice. Parmalat also confirmed that, hence forth, the bonds issued by the consolidated subsidiaries would be reported under liabilities as "debenture loans" rather than as "bank debt." Parmalat further stated that €50 million in bonds (including €60 million issued by controlled companies) that were due to expire in 2003 and 2004 were "bought back by another company included in the Group consolidation area." Therefore,

Parmalat stated, the Group required €190 million to reimburse debentures due to expire by December 31, 2004, using the Group's liquidity.

728. In the November 10, 2003 press release, Parmalat explained that its participation agreements related to intercompany financing among the Group's companies. The total value of the intercompany financings was reported as \$819 million as of September 30, 2003. Parmalat assured investors that the financial transactions were advantageous to the Group at the operating level because they provided a "more flexible use of credit lines in the different countries where the Group operates."

729. Parmalat issued a press release on or about November 10, 2003, claiming that Grant Thornton S.p.A. had supported the recording by Parmalat (on the Group's consolidated half-year 2003 balance sheet) of a one-time gain of \$135 million from an €850 million face value currency swap contract with Epicurum.

730. To further mollify the markets about its €496.5 million investment in Epicurum, on or about November 11, 2003, the Company issued the following press release:

In issuing this release, Parmalat Finanziaria wishes to clarify a number of points, in order to safeguard the Group and its shareholders, following the anomalous performance of its stock market share volumes and price.

The Epicurum Fund

In relation to the balance sheet as of June 30, 2003 and the report of the independent auditors, we wish to specify that:

The securities posted among current asset investments include shares in an overseas-registered, open-ended mutual investment fund denominated the Epicurum Fund, established at the end of September 2002, recorded at a book value of €496.5m. This value is based on the subscription price in accordance with the accounting policy, requiring that the valuation be based on the purchase cost.

This fund, which invests in listed and unlisted financial instruments, derivatives and shares in other funds, will publish its first balance sheet at the end of its first full year of operation, namely as of December 31, 2003,

in compliance with the applicable legislation and accounting principles and the relevant regulatory and statutory provisions.

As a result, on the basis of the balance sheet as of December 31, 2003 and the value of the fund's assets as established by the Fund Administrator, the value of the securities will be recorded in the Parmalat's accounts as of December 31, 2003 at the lower of (i) their subscription price and (ii) their market value, in accordance with the applicable legislation and regulations.

The investment was made in order to assign the management of a portion of the Group's liquidity to professional fund managers, partly based on an expected return in excess of the average returns provided by the securities currently in portfolio. The projected duration of the investment is short term, but will in any event be based on the realized and/or expected return.

Shares in the fund, given that it is of the open-ended type, are quickly redeemable.

The Epicurum Fund may invest in listed or unlisted financial instruments, derivatives and shares in funds. The fund's specific investment target is the "leisure and pleasure" sector, based on an investment strategy defined by Epicurum as follows: "Our investment target is generally focused in the segment denominated "leisure and pleasure" i.e. the following industries: food and beverage, including distribution, health and well being related industries, including but not limited to the medical and pharmaceutical business, high end beauty aids and cosmetics, sporting equipment and well being centers, the fashion and luxury industry, the travel industry, entertainment, prestigious real estate including wineries, art, etc., and any other companies engaging in such other activities incidental or ancillary thereto, through investments in shares, bonds, notes, other financial instruments including derivatives, and participation or sub-participation in other forms of financing issued by/lended to U.S. and non U.S. private or public companies operating in any of the businesses falling in our investment target or investing in any of the businesses falling in our investment to target or in trademarks intellectual property or advisory service companies which provide value in those sectors."

With regard to certain indiscretions and/or rumors being circulated today, we wish to clarify that the Epicurum Fund has not invested in any companies linked to the Parmalat Group or the Tanzi family, such as the travel company, Parmatour. We also wish to state that members of the fund's Board of Directors are independent of the Parmalat Group.

The fund's activities have so far essentially regarded completion of an institutional offering, and it is currently undergoing a number of due

diligence reviews, both in Italy and overseas, in order to assess potential investments, with a preference for listed financial instruments, or unlisted instruments which are likely to be listed in the short term. According to the latest information, such investments are not expected to be finalized in the very short term.

* * *

As mentioned above the Fund will publish its balance sheet as of December 31, 2003, in line with the applicable regulations.

Report of the independent auditors on the review of the half-year report as of June 30, 2003.

The report of the independent auditors on the review of the half-year report as of June 30, 2003 is, in accordance with general practice, prepared on the basis of the criteria for reviews, whilst the annual financial statements are subject to a full audit, resulting in the issue of the opinion provided for by art. 156 of Legislative Decree 58/98.

As stated in the offer document submitted by Deloitte, prior to their engagement to carry out the review, as approved by the General Meeting of the shareholders of Parmalat Finanziaria on April 30, 2002, the report must specify that the review carried out does not consist of an audit conducted in accordance with generally accepted auditing standards, and does not therefore permit the auditors to express an opinion on the half-year report.

We therefore quote the following declaration taken from paragraph 2 of page one of the report of the independent auditors on the review of the half-year report for 2003:

“... unlike our reports on the statutory and consolidated financial statements, we do not express an audit opinion on the interim financial information.”

This is the same declaration included in the reports of the independent auditors on the review of previous half-year reports, in compliance with CONSOB recommendations for reviews carried out by independent auditors.

The limitations identified and mentioned by the independent auditors in carrying out their review of the half-year report as of June 30, 2003 are as follows:

- Deloitte does not express an opinion on the book value of shares in the overseas mutual investment fund, Epicurum, recorded at subscription

price, whilst awaiting publication of the fund's first balance sheet as of December 31, 2003;

- Deloitte is not, whilst awaiting the results of an independent appraisal commissioned by Deloitte itself, in a position to confirm the fairness of the recorded value of the amount collected by Parmalat within the context of a foreign exchange swap contract, which Parmalat believes has been fairly accounted for in that based on an expert appraisal carried out by the auditing firm, Grant Thornton Spa.

* * *

In conclusion, Parmalat Finanziaria wishes to emphasize the strength of the Group's operating and financial structure, the totally true and fair nature of the Company's published financial position and information and the inexistence of an alleged "liquidity problem" for Parmalat, liquidity which corresponds with a precise financial strategy. We reject any market abuses aimed at associating or linking our Group with the difficulties of others or financial scandals, and at earning unwarranted speculative returns from the manipulation of Parmalat's securities.

731. On November 11, 2003, FT Investor quoted a Parmalat executive as stating that Epicurum had not invested in Parmalat or any of the tourism companies owned by the Tanzi family.

732. As of November 11, 2003, Standard & Poor's had placed all of its ratings, including its BBB-/A-3 corporate credit ratings of Parmalat and Parmalat S.p.A., on credit watch with negative implications, which it reported was due in particular to Parmalat's investment in Epicurum.

733. On or about November 12, 2003, Citigroup's Smith Barney unit issued a research report on Parmalat in which it changed its rating from a "Hold" to a "Buy" with a "medium risk" factor based on, among other things, the Company's statement that it will liquidate the Epicurum fund for €600 million which "should help to allay fears over balance sheet issues and credit status."

734. On November 12, 2003, Parmalat issued another press release announcing that Epicurum purportedly had requested Parmalat to liquidate its investment in the fund, which request Parmalat had accepted. Parmalat concluded its press release with the following response to accusations that had been lodged against the Group:

Parmalat Finanziaria complained in different venues, also institutional, and in more occasions the circulation, also instrumental, in different ways, of unfounded and/or seriously defamatory news and assumptions regarding our Group, aimed at fearing new alleged financial scandals or non-existent irregular accounting practices. These news and assumptions were taken and inappropriately amplified by various sources and continued in time with worrying rage, such as to consequently originate the sedimentation, much to our regret, of a negative perception and doubts with regarding to our financial and economic soundness. This in spite of the positive operating results achieved during 2002 and the current year. These news and assumptions have also negatively influenced the pricing of Parmalat securities and the market sentiment towards us.

Parmalat Finanziaria will reserve its action against the instigators and defamation vehicles of the negative news instrumentally used.

Following the release, Parmalat bonds rallied, as reported by the *Financial Times* on November 13, 2003.

SS. The September 2003 Notes Offering

735. Parmalat Finance Corporation B.V. disseminated a pricing supplement, dated September 25, 2003, for the issuance of €50 million 6.125% Guaranteed Notes due September 29, 2010. These Notes were Series 7, Tranche 1 under the €2 billion Debt Issuance Program issued pursuant to the August 25, 2003 offering circular.

736. Deutsche Bank AG London, an affiliate of Deutsche Bank, was the sole Stabilising Manager/Dealer of the September 2003 Notes Offering.

TT. The 2003 Third Quarter Report

737. On or about November 14, 2003, Parmalat disseminated its Directors' Report on Operations for the Third Quarter of 2003 ended September 30, 2003 ("DR3Q03") and issued, on

the same day, a press release detailing its third quarter of 2003 financial results. News wire services, including Company news Groupe, carried the news of the quarterly results. Among other things, the DR3Q03 stated that the quarterly report has been prepared in compliance with generally accepted principles for consolidated accounts, which conform to those established by the Italian accounting profession and international accounting principles.

738. The DR3Q03 presented the Group's consolidated financial position and results for the third quarter and nine months of 2003 operations as follows:

(Thousands of €)	January 1 - September 30, 2003	January 1 - September 30, 2002
Sales	5,263,477	5,663,454
Gross operating profit (EBITDA)	650,504	689,864
Net operating profit (EBIT)	438,770	453,403
Profit before adjustments to financial assets, extraordinary items, taxes and minority interests	303,950	336,434

(Thousands of €)	3 rd quarter 2003 (July 1 - September 30)	3 rd quarter 2002 (July 1 - September 30)
Sales	1,837,698	1,806,316
Gross operating profit (EBITDA)	237,586	220,185
Net operating profit (EBIT)	168,885	156,701
Profit before adjustments to financial assets, extraordinary items, taxes and minority interests	107,557	123,326

739. In the DR3Q03 and the press release, the Company also provided a breakdown of the Group's debt in the form of the following chart:

(Thousands of €)	September 30, 2003	June 30, 2003	December 31, 2002
<i>Bank debt and debenture loans</i>			
Falling due within 12 months	1,038,186	1,245,768	1,155,685
Falling due between 1 and 5 years	4,047,963	2,852,754	2,980,888
Falling due beyond 5 years	953,844	1,248,636	1,299,237
Total bank debt and debenture loans	6,039,993	5,347,158	5,435,810
<i>Cash and cash equivalents</i>			
Cash on hand and at banks	1,066,451	866,582	950,620
Short-term financial assets	2,650,981	2,455,610	2,412,945
Other investment securities	503,630	214,885	210,134
Total cash and cash equivalents	4,221,062	3,537,077	3,573,699
Total debt net of cash and cash equivalents	1,818,931	1,810,081	1,862,111

740. Under the heading “Financial Review” in the DR3Q03 and the press release, the Company reported that operating cash flow had been used to cover the cost of investment and working capital requirements. The Company also claimed that the cash raised as a result of the bond issuances underwritten respectively by Morgan Stanley, UBS and Deutsche Bank during the third quarter had only been partly used as of September 30, 2003.

741. With respect to bonds maturing in 2003 and 2004, the press release and the DR3Q03 reiterated the statement made by the Company in the November 10, 2003 press release that the Group needed €190 million in cash to repay debt maturing by December 31, 2004.

742. The DR3Q03 and the press release also stated that the Group had a \$400 million commitment to buy out the 18.18% of its Brazilian subsidiary, Parmalat Empreendimentos e Administracao Ltda, owned by North American institutional investors, should the planned listing of the company’s shares not take place by the end of 2003. The Company claimed that the listing of Parmalat Empreendimentos e Administracao Ltda would not likely take place within the agreed deadline and, unless Parmalat could renegotiate the conditions agreed with the North American institutional investors, Parmalat would be required to honor its commitment to buy out the minority holding in the Brazilian company. In truth, as discussed in detail below, Parmalat and Bank of America knew that the minority sale to the U.S. investors was in fact a loan that Parmalat would have to repay. Parmalat also falsely represented in the press release and in the DR3Q03 that the Group’s obligation to buy out the Brazilian unit minority interest and to redeem the bonds due within 2004 would be met by using liquid assets. In fact, Parmalat knew that the Group did not have anywhere near the liquidity it needed to satisfy those obligations.

743. The DR3Q03 presented the following table identifying bonds issued by the Parmalat Group and their maturities (in thousands of Euros):

Maturity	Bonds issue by Parmalat Finanziaria	Convertible bonds in Parmalat Finanziaria ordinary shares	Bonds issued by subsidiaries	Total
Within December 31, 2003			150,000	150,000
2004		246,400*	400,000	646,400
2005		281,200	1,397,519	1,678,719
2006		350,000**	500,000	850,000
2007	206,583		450,000	656,583
2008			1,649,111	1,649,111
2009			515,000	515,000
2010	51,646		350,000	401,646
2026			14,661	14,661
2028			100,627	100,627
2032		306,800		306,800
Total bonds	258,229	1,184,000	5,526,918	6,969,547
Parmalat bonds owned by group subsidiaries	0	0	(2,911,000)	(2,911,000)
Net value of the bonds	258,229	1,184,400	2,615,918	4,058,547
* Maturity bond December 12, 2022 - put December 2004				
** Maturity bond June 30, 2021 - put June 2006				

744. The DR3Q03 and the press release also disclosed that as of September 30, 2003, the Group's current assets included bonds valued at €1.6 billion, and total current assets valued at €2.65 billion. The Company further reported that:

All the bonds posted to current assets, amounting to 1,577 million euros, have a minimum single A rating, with the exception of the investment in Sires Star bonds, subscribed as part of a financial transaction with a leading international bank, amounting to 34.2 million euros and maturing in December 2017.

The payment of interest on the Sires Star bonds is guaranteed by a leading international bank via a swap agreement that guarantees a fixed yield. Moreover, in the event of default on repayment of the principal by the issuer, Parmalat has the right to "call" the bonds and the above leading international bank will be obliged to transfer to Parmalat an amount corresponding to the securities issued by Parmalat Group companies.

The securities posted among current asset investments include shares in an overseas-registered, open-ended mutual investment fund denominated Epicurum, established at the end of September 2002. The securities are recorded at a book value of 496.5 million euros, equivalent therefore to their historical cost.

This fund, which invests in listed and unlisted financial instruments, derivatives and shares in other funds, will publish its first balance sheet at the end of its first full year of operation, namely as of December 31, 2003, in compliance with the applicable legislation and accounting principles and the relevant regulatory and statutory provisions.

* * *

Following a number of articles in the press and the circulation of information from a variety of sources, on November 12 the Epicurum fund recommended that Parmalat agree to liquidate its investment in the fund, in order to avoid damage to both parties.

As a result of this request Parmalat decided to accept the request to liquidate its investment in the fund. The liquidation will take place according to the fund's statutory terms and conditions. The amount to be liquidated will be in the region of 600 million US dollars and liquidation will be completed within 15 days.

A consolidated Group company entered into a currency swap contract with the Epicurum fund in March of this year, involving a notional amount of 850 million euros. The parties agreed to effect quarterly payments to each other of the exchange rate differences accruing between the US dollar and the euro, compared to an agreed initial exchange rate, up to 2007. The contract was entered into, in view of the high degree of volatility of the US dollar/euro exchange rate, in order to hedge exchange rate risk linked to the Parmalat Group's existing investments in "the dollar area."

In view of recent events, we cannot exclude the early termination or renegotiation of the contract entered into with the Epicurum fund.

The value of promissory notes posted to current assets has declined from 1,052 million euros as of December 31, 2002 to 572 million euros as of September 30, 2003. The above securities are linked to financial transactions relating to the Group's commercial and industrial development in certain countries. Most of the promissory notes are guaranteed by leading banks.

The classification of the above securities among current assets was based on the fact that they mature and will be liquidated in the short term.

745. The DR3Q03 and the press release also repeated the Company's statements in the November 10, 2003 press release describing the "participating agreements" among Parmalat Group companies.

746. With respect to significant subsequent events, which occurred following the end of the third quarter, the Company disclosed in the DR3Q03 that:

Following the end of the third quarter, the Group has generally maintained its position in its various markets, while sales volumes appear to be growing at a faster rate than reported for the first nine months of the year.

With respect to the Company's "operating outlook," the Company reported in both disclosure documents that:

Organic volume growth should exceed the increase seen in the first nine months of the year, while it is not possible to predict the performance of consolidated revenues, expressed in euros, given that this will depend on exchange rates over the final quarter.

The operating performance should enable the Group to maintain margins in line with the figures for the first nine months of the year.

747. The November 14, 2003 press release also disclosed the sudden departure of Ferraris, Parmalat's third CFO in less than one year, and the appointment of Del Soldato to be the new combined post of General Manager, Finance and General Manager, Administration and Control.

748. In a conference call with members of the financial markets, as reported by in AFX European Focus on November 14, 2003, Del Soldato immediately confirmed Parmalat's target for reducing group debt by €900 million by the end of 2005. He also claimed that the Epicurum investment was for "financial and industrial reasons because an investment in the food compartment of the fund could have generated synergies with the Parmalat Group." He further stated that Parmalat was already cutting liquidity and debt, which he acknowledged was necessary to improve its credit rating.

UU. The November 2003 Offering

749. Parmalat Finance Corporation B.V. disseminated a pricing supplement, dated November 19, 2003, for the issuance of €300 million Floating Rate Notes due July 10, 2008.

These Notes were Series 6, Tranche 1 of the €2 billion Debt Issuance Program pursuant to the offering circular dated August 23, 2002 and the offering circular dated August 25, 2003.

750. Morgan Stanley & Co. International Limited, an affiliate of Morgan Stanley, was the sole Dealer of the November 19, 2003 pricing supplement.

751. The statements made and the financial information disclosed by Parmalat from the issuance of the first quarter 2003 Directors' Report and press release of May 15, 2003 through the November 2003 Notes Offering, and each of the bond offering materials described above that were disseminated during that same period, were made with the active participation of the Individual Defendants, Grant Thornton, Deloitte, Zini and Zini & Associates and the Company's bankers, financial advisors and lenders, including Bank of America, Citigroup, Deutsche Bank, CSFB, UBS and Morgan Stanley, and were materially false and misleading. These defendants knew that while Parmalat was issuing its financial results it also continued its fraudulent schemes, with the other defendants' knowledge and participation, including (1) engaging in a practice of concealing operating and investment losses by concocting wholly fictitious credits purportedly "owed" to the Company by third parties or other Parmalat operating units; (2) falsely representing assets that did not exist, including \$4.9 billion in Bank of America's account that was wholly illusory; (3) engaging in a practice of representing it had repurchased and retired portions of its debt when, in fact, it had done neither; (4) using special purpose entities, including defendant Buconero, to improperly disguise monies on its balance sheet as equity rather than as debt; and (5) engaging in an illegal practice of funneling Company assets to enterprises owned by the Tanzi family. As particularized in Section V above, these improper practices, and others, rendered Parmalat's financial information in its press release, bond offering materials and periodic financial reports described in 692 through 750 false and

misleading because these practices had the effect of materially overstating the Company's assets and revenues while materially understating Parmalat's debt.

752. In fact, as the SEC alleged in its amended complaint, as of September 30, 2003, actual consolidated debt was at least €14.3 billion and, therefore, the reported Parmalat Group debt figure of €6.4 billion was understated by at least €7.9 billion, and the actual consolidated net worth of Parmalat was no more than a negative €1.2 billion and thus, the reported consolidated net worth figure of €2.1 billion was overstated by approximately €3.3 billion.

VV. The Fraud Begins to Unravel

753. On November 27, 2003, Parmalat issued a press release to the financial community titled "Announcement of liquidation of investment in Epicurum Fund and early termination of currency swap contract into with the same fund" which stated:

Parmalat Finanziaria announces that it has received notification from Epicurum open-ended fund that the general meeting of investors, held in Los Angeles on November 26, has, in accordance with the agreement reached with the Parmalat Group, approved the Group's liquidation of its investment in the fund and the early termination of the currency swap.

754. On or about December 8, 2003, the Company issued the following press release concerning the liquidation of the Epicurum Fund:

Parmalat Finanziaria states that the Epicurum Fund did not liquidate Parmalat's investment in Epicurum on the 4 December 2003 deadline. The fund has explained that this non-fulfillment was as a result of difficulties arising from the liquidation process relating to Parmalat's stake in the fund owing to contemporary requests for liquidation received from the majority of the fund's investors.

This has led Epicurum to decide to proceed with the total liquidation of all the fund's activities. The complexity of the steps necessary to achieve this makes it impossible to respect the deadline previously agreed with Parmalat, and Epicurum has asked Parmalat to accept a delay in final payment.

755. On December 8, 2003, trading in Parmalat's securities was suspended by CONSOB.

756. As reported on December 8, 2003 in the AFX European Focus, CONSOB had asked the Company to provide reassurance that it would repay investors its €150 million bond issue which had matured on December 3, 2003.

757. On or about December 9, 2003, the Company issued a statement acknowledging the difficulties it was experiencing in liquidating the Company's investment in Epicurum and the Company's delay in the repayment of a number of bonds:

Based on the information communicated by the Chairman, Cav. Lav. Calisto Tanzi, today's Board of Directors' meeting acknowledged:

- the difficulties in liquidating Parmalat's investment in the Epicurum Fund, which should have taken place on December 4, 2003, and the resulting delay in payment requested by the Epicurum Fund (which has in the meantime placed itself in liquidation), according to a repayment schedule that has yet to be defined;
- the decision to delay repayment of €150 million in bonds maturing on December 8, 2003 until the last possible deadline of December 15, 2003, in accordance with the regulations for bonds issued by Parmalat Finance Corporation.

In view of the situation described by the Chairman, and with the aim of giving the market and financial institutions a sign of the Group's willingness to find a transparent solution to what has recently become an increasingly difficult situation, the Board has engaged Mr. Enrico Bondi as a technical consultant, to draw up an eventual plan for the Group's industrial and financial restructuring.

The Chairman also announced that, as of December 8, 2003, Mr. Luciano Del Soldato has resigned his seat on the Board of Directors and his position as CFO.

Cav. Lav. Calisto Tanzi reiterated the Tanzi family's commitment, during this difficult time, to the Parmalat Group's shareholders, bondholders, staff, customers and suppliers to preserve the Company's value in the interests of all its stakeholders.

758. On or about December 10, 2003, the Company again attempted to reassure investors by announcing that it had retained Enrico Bondi to design a restructuring. The Company issued the following announcement:

The Company announces that Mr. Enrico Bondi has agreed to the Board of Directors' request of December 9 to act as a consultant, with a view to drawing up a potential plan for the Group's industrial and financial restructuring.

In carrying out his engagement, Mr. Bondi will be assisted by an independent advisor to be mutually agreed by the independent Directors and Mr. Bondi. The report of Mr. Bondi on the Company's situation and on a potential plan for its industrial and financial restructuring is expected to be ready by the end of January 2004.

The Company announces that Mr. Fausto Tonna and Mr. Luciano Silingardi have resigned from the Board of Directors of Parmalat Finanziaria Spa.

Mr. Fausto Tonna has also resigned from all the positions he held in other Group companies.

Mr. Mario Brughera has resigned as Chairman of the Board of Statutory Auditors of Parmalat Finanziaria S.p.A. As required by the Italian Civil Code, his place on the Board will be taken by the alternate auditor, Mr. Antonio Bevilacqua. In compliance with art. 2401 of the Code, Mr. Oreste Ferretti will take over as Chairman of the Board of Statutory Auditors.

The Company announces that negotiations are at an advanced stage with the Epicurum Fund in order to identify the terms and conditions in liquidating Parmalat's investment in the fund.

The Company confirms that the €150 million worth of bonds issued by Parmalat Finance Corporation will be repaid by December 15, 2003.

759. By December 10, 2003, Standard & Poor's had cut Parmalat's credit rating to double-C, on the grounds that Parmalat had misinformed the agency about its liquidity. Parmalat stock and bond prices dropped sharply on the Luxembourg exchange and other markets worldwide on December 10, 2003, but the Company's stocks and bonds remained suspended from trading on the Italian markets. When trading resumed on December 11, 2003 on the Milan

Stock Exchange, Parmalat shares lost almost one-half of their value, recovering only slightly, closing at €1.176 a share. Almost one-half of the outstanding shares traded that day. Parmalat's bonds also lost about one-half of their value.

760. In yet a further attempt to allay fears in the market concerning its liquidity and ability to repay outstanding debt, on or about December 12, 2003, the Company issued a terse press release, simply stating that it had repaid the €150 million bond that had already matured. Despite this news, the sell off of Parmalat securities continued and by December 15, 2003, trading was again suspended most of the day.

761. On December 15, 2003, the Company announced in a press release that Tanzi had resigned as Chairman, Chief Executive Officer and Board member and that Tonna, Silingardi and G Tanzi had resigned from the Board. Bondi took over as Chief Executive Officer and Chairman and two new directors (who had worked with Bondi on other corporate turnarounds) were appointed. Bondi was authorized to hire investment banks to help with Parmalat's restructuring and was to issue a report on the restructuring plan for the Group by the end of January 2004. Following the announcement of Tanzi's resignation, as well as that of his brother, the Company's share prices shot up by 30% on markets worldwide.

762. On December 16, 2003, Parmalat announced that PwC had been appointed to review the Group's financial assets and liabilities, particularly those of the subsidiaries.

763. On December 18, 2003, various news sources, including *The Wall Street Journal*, reported that Bondi had persuaded the group of minority investors who held 18.18% of the Company's Brazilian operation (valued at \$400 million) to continue negotiating a settlement.

VII. THE TRUTH IS FINALLY REVEALED

A. The Revelations of Fraud Drive The Company Into Bankruptcy

764. On December 19, 2003, the Company announced that a Bonlat bank account at Bank of America which the Company had previously represented as containing \$4.9 billion in assets did not exist:

Parmalat Finanziaria S.p.A. communicates that on 17 December 2003 Bank of America, N.A., New York Branch, informed Grant Thornton, the auditor of Bonlat Financing Corporation, a company based in the Cayman Islands and part of the Parmalat Group, that it does not have “an account” in the name of Bonlat.

Further, Bank of America denied the authenticity of a document dated 6 March 2003 that certified the existence of securities and liquidity amounting to approximately €3,950 million as at 31 December 2002 relating to Bonlat. This document was taken as the basis for the certification of Bonlat’s 2002 accounts.

The letter from Bank of America follows a request for information made on the same date by Grant Thornton.

The above information was provided to Parmalat by CONSOB in the late afternoon of 18 December 2003.

Further to the above, the Company has initiated the necessary urgent verifications.

765. Standard & Poor’s promptly dropped its rating of Parmalat altogether.

766. At about and just prior to this time, certain defendants began to destroy traces of their participation in the crimes and fraud. Tonna and Zini directed others at Parmalat and Zini & Associates to destroy the records of the transactions used to prop up Parmalat’s financial condition.

767. In his December 20, 2003 deposition, Bocchi described the events surrounding the decision to destroy Parmalat’s files:

The decision was made when it became evident that the company was insolvent, that is, at the beginning of December [2003]. First I was

summoned by Tonna and Zini who told me to proceed with the destruction, after asking me whether I still kept the papers at my house. Specifically, Tonna said that “the stuff” that I kept at my house (meaning the accounting records of Bonlat), must be destroyed. Zini, who had had an opportunity to listen in on what Tonna had just said, added in a whisper: “Yes, at this point it is time that the documents be destroyed.” I took notice of that statement, returned to Del Soldato’s office, and made him aware of the decision as it had been communicated to me. Del Soldato in turn said: “Let’s wait a moment, tomorrow morning (it was already late evening at that time), I will give you the final word.” I reminded him that the Bonlat accounting documents for 2003 were still kept at Parmalat (and thus not at my house). Also, in response to this point, Del Soldato replied: “We will reconvene tomorrow.”

After I recounted to Del Soldato what had transpired in my deposition, Del Soldato said: “Gianni [John], you must have trust in me.”

Subsequently, Stefano Tanzi entered the room and he asked me the same questions [that Del Soldato had asked], and then he concluded by saying: “but is it all true? All I saw were the management reports!”

After Stefano Tanzi left, Del Soldato asked me whether I had destroyed all my office computer files in that, he himself, some time ago, had told me to erase them. I replied that I had already erased the files but he added that his lawyer had told him that [electronic] traces could have survived, and that it was necessary to call our Electronic Data Processing office [“EDP”], to make a more thorough clean-up. Actually he said that he personally would have tasked Fereoli, Deputy Chief of the EDP office at Parmalat [to do the work]. As a matter of fact, after the meeting I received a call from Fereoli to which I could not respond because the PricewaterhouseCoopers auditors were present. I know also that Del Soldato went yesterday to Pessina’s office and invited the latter to bludgeon the portable computer with a hammer. In fact, Pessina had also collaborated with me in the creation of the Bonlat accounting.

768. Pessina likewise told Italian prosecutors in December 23, 2003 that he was instructed to take a hammer to his laptop:

Del Soldato stuck his head in my door while I was working at my computer and said to me: “destroy the computer.” I understood completely that the order for destruction referred solely to the Bonlat accounting [documents and information]. I say this because I dealt mainly with, and was the only person transferring Bonlat accounting data on computer. I reaffirm that my job was solely to transfer the Bonlat data received electronically from Bocchi. . . .

Del Soldato exhorted me to literally take a hammer to my laptop. . . .

All told, given the circumstances it seems like an understandable request. I'm referring obviously to the fact that I knew that just the day before Bocchi had been subpoenaed by [prosecutor] Greco who questioned him, on among other things, the Bonlat affair.

769. On or about December 24, 2003, the Company filed for bankruptcy:

770. On or about December 29, 2003, the Company disclosed that the Court in Parma, Italy had on December 27, 2003 declared the Company insolvent. The Company's press release stated the following:

According to Legislative Decree no. 347 of 23 December 2003, Parmalat S.p.A. has been placed into Extraordinary Administration and the Minister of Productive Activities has, by decree, appointed Dr. Enrico Bondi to the role of Extraordinary Commissioner of the Company.

Further, Parmalat S.p.A. was declared insolvent by the Court of Parma on 27 December 2003.

The Board of Directors [meeting] of Eurolat S.p.A., called on 27 December 2003 for the appointment of the Chairman, did not take place.

B. PwC's Investigation and Reconstruction of Parmalat's Financial Statements

771. PwC's reports, dated February 9, 2004, provided PwC's preliminary figures and analyses of the financial assets and liabilities of the Parmalat Group as reflected in accounting entries of the Parmalat Group as of September 30, 2003. Based on its analysis, the Company should have recorded total consolidated shareholder equity of no more than a negative €1.385 billion on the September 30, 2003 balance sheet rather than the €2.074 billion figure that it did record. This enormous change in shareholder equity reflected adjustments made by PwC, on a preliminary basis, to record, among other things: nonexistent net assets of Bonlat, the mark-to-market valuation of derivatives, the put option on 18.18% of the corporate capital of the Brazilian Group holding company, nonexistent commercial notes to retailers and other clients, goodwill, and consolidation differences.

772. Further, based on its preliminary analysis as of February 9, 2004, PwC determined that Parmalat should have recorded consolidated debt of at least €14.524 billion on the September 30, 2003 balance sheet rather than the €6.442 billion debt figure that it did record, or more than twice the amount of debt that Parmalat disclosed. As reported in PwC's February 9, 2004 report, the most significant aspects of the total amended debt figure of €14.516 billion on the balance sheet as of September 30, 2003 were as follows (in millions of euros):

• Bonds issued by Parmalat Capital B.V.	(2,911)
• Bonds of Parmalat Capital Finance Ltd.	(429)
• Discounted invoices	(844)
• Mark-to-market of derivatives	(341)
• Factoring	(190)
• Debts to suppliers	(68)
• Bonds Carital Brasil Ltda	(281)
• Debt for securitization (Archimede and Eureka)	(375)
• Put option	(365)
• Reduction of the debt through participation agreement	(845)
• Geslat Participation Agreement	(122)
• "Hot money" Credit Line	(256)
• Credits assigned to Ifitalia	(114)
• Preference shares of P. Finance Corp. Ltd.	(441)
• Other adjustments	(492)

773. In its February 9, 2004 report, PwC explained each of those items as follows:

- a. **Bonds issued by Parmalat Capital B.V.:** PwC determined that Parmalat failed to record €2.911 billion as debt that arose from bonds issued by

Parmalat Capital B.V. and purportedly repurchased by Bonlat. PwC included this amount because Bank of America had denied the existence of those bonds.

- b. **Bonds of Parmalat Capital Finance Ltd.:** PwC determined that Parmalat failed to record €429 million as debt that arose from bonds issued by Parmalat Capital Finance Ltd. PwC determined that, in preparing the consolidated balance sheet, Parmalat improperly cancelled out the amount of the bonds against the securities allegedly held in Bonlat's portfolio. Even though the amounts were cancelled out in the consolidated balance sheet, Parmalat's notes to the consolidated balance sheet improperly reported the bonds among "other liabilities," thereby artificially reducing the reported debt owed to banks.
- c. **Discounted bills:** PwC determined that Parmalat had improperly recorded, as a reduction to debt owed to banks, €333 million in advances on credits on invoices allegedly issued by Parmalat S.p.A. to retailers, and an additional €1 million in advances on credits on invoices allegedly issued by Parmalat S.p.A. to "others."
- d. **Marked-to-market of derivatives:** PwC determined that Parmalat should have marked-to-market derivatives still outstanding as of December 19, 2003 and, if it had, it should have recorded €341 million as a liability in the consolidated balance sheet.
- e. **Factoring:** PwC determined that Parmalat recorded €190 million of credits "*pro solvendo*" that had been assigned to several factoring

companies by which Parmalat improperly reduced the amount of commercial notes outstanding and improperly increased liquidity.

- f. Debts to suppliers:** PwC determined that debt obligations, totaling €68 million, that Parmalat S.p.A.'s suppliers had assigned to a number of factoring companies which granted extensions of the expiration date of the debt obligations by additional periods ranging from thirty to sixty days, should have been recorded as “financial debt” on the consolidated balance sheet.
- g. Bonds Carital Brasil Ltda:** PwC determined that Parmalat should have recorded €281 million as a debt obligation on the bonds issued in 1999 by Parmalat Participacoes do Brasil and assigned to Carital Brasil Ltda. (“Carital”), a corporation that was not among the Group’s consolidated reporting entities. PwC made this adjustment because Carital had insufficient liquidity at the time of the transaction rendering (under Brazilian law) Parmalat Participacoes do Brazil primarily liable to pay the bonds in the event of default by Carital.
- h. Debt for securitization (Archimede and Eureka):** PwC determined that Parmalat should have recorded €375 million as debt owed to Archimede and Eureka arising out of improper securitization transactions of commercial notes. PwC noted that the debt included debt of Parmalat S.p.A owed to Archimede Securitization S.r.l. in the amount of €217 million for transactions arranged by Citibank and serviced by Parmalat S.p.A. which was also the collection agent.

- i. **Put option:** PwC determined that Parmalat should have recorded €365 million (\$423 million) as a debt obligation attributable to the put option agreements between Parmalat Capital Finance Ltd. and the two Bank of America special purpose vehicles that had been drawn up in conjunction with the “sale” arranged by Bank of America of the 18.18% equity interest in the Brazilian holding company to North American investors. The put options expired and the SPEs demanded that Parmalat Capital Finance Ltd. buy the holdings. PwC noted that Parmalat had guaranteed the buy out of the holdings.
- j. **Reduction of the debt through participation agreements:** PwC determined that Parmalat improperly reduced debt to banks in the amount of €45 million in the consolidated balance sheet through false participation agreements executed by Bonlat and certain subsidiaries of the Parmalat Group. Parmalat improperly recorded these fictitious credits from the participation agreements in Bonlat’s account ledgers, and then cancelled them against financial debt in the consolidated balance sheet.
- k. **Geslat Participation Agreement:** PwC reported that, on December 16, 1999 a Participation Agreement was executed between the Swiss subsidiary of Geslat and Buconero, as the investor, to form a business to engage in financial transactions. Parmalat S.p.A. contributed capital of €100 million and Buconero contributed €60 million. In 2001, Buconero’s contribution was increased by an amount that PwC could not confirm due to lack of documentation. As a result of this arrangement, Parmalat S.p.A.

was indebted to Buconero in the amount of €122 million as of September 30, 2003. According to PwC, Parmalat improperly recorded this amount in the consolidated balance sheet as “reserves for third parties” when in fact it was debt.

- “Hot money line” Parmalat S.p.A.:** PwC determined that an increase of €256 million to debt should have been recorded to reflect what PwC understood was Parmalat S.p.A.’s exposure to bank obligations for a “hot money” credit line. PwC reported that Parmalat improperly transferred that credit line obligation to Bonlat’s accounts, thereby reducing Parmalat S.p.A.’s debt to banks and increasing the inter-company debt to Bonlat, which Parmalat then cancelled out in the financial statement consolidation process.
- Credits assigned to BNL (through its subsidiary Ifitalia):** PwC determined that Parmalat should have recorded €14 million as debt attributable to assignments by Parmalat S.p.A. to Contal, a Parmalat controlled entity, of fake and old invoices to retailers and other clients, which Contal then assigned, “*pro solvendo*,” to BNL (through Ifitalia). Contal was paid by Ifitalia on the fake invoices and, at the same time, Parmalat artificially reduced its debt to Parmalat S.p.A. by €14 million.
- Preference shares of Parmalat Finance Corporation Ltd.:** PwC determined that Parmalat recorded preference shares that had been issued by Parmalat Finance Corporation Ltd. as shareholders’ equity of third parties, in the amount of €441 million. PwC determined that Parmalat

should have recorded that amount as debt because, in the event of default, the payment on those shares was subordinate to other liabilities of the Group and senior only to the common shares.

- o. Other adjustments:** PwC determined that, to be prudent, an additional amount of €492 million should be recorded as debt, based on its preliminary analysis of the relationship between the Group and banks, which analysis was continuing as of the date of its report.

774. The magnitude of the false statements and omissions from the documents described above at paragraphs 449-763 was further corroborated in the criminal indictment filed in the court of Milan on May 26, 2004 (the “Indictment”). The Indictment charged the members of Parmalat’s Board of Directors and its Board of Statutory Auditors, certain senior executives, Zini, certain Deloitte and Grant Thornton affiliates and audit partners, Bank of America’s Italian arm and three Bank of America senior bankers with violating various Italian criminal laws through conduct that included disseminating false information about the Parmalat Group’s financial results in press releases and during investor conferences in Italy and abroad. The Indictment covered a broad range of misconduct by these entities and individuals, ranging from the falsification of Parmalat’s financial statements to falsely reporting information with respect to the Company’s debt offerings and misstating the relationship between Parmalat and its financial institutions.

775. With respect to Parmalat’s reporting of its financial results during 2002 and the first half of 2003, the Indictment specified that: (a) for fiscal year 2002, ended December 31, 2002, Parmalat overstated gross-operating margin (EBITDA) by €645 million, overstated net operating margin (EBIT) by €570 million, reported €252 million in net profits when, in fact, it

had a loss of €451 million, and understated total debt by €753 million; (b) for the first half of fiscal 2003 ended June 30, 2003, Parmalat overstated gross operating margin (EBITDA) by €242 million, overstated net operating margin (EBIT) by €251 million and understated total debt by €793 million; and (c) for the third quarter of fiscal 2003 ended September 30, 2003, Parmalat overstated gross operating margin (EBITDA) by €400 million, overstated net operating margin (EBIT) by €409 million, and understated total debt by €802 million.

776. The Indictment also charged that the Parmalat Board members, Statutory Auditors, certain senior executives, Deloitte's and Grant Thornton's partners involved in the audits and Zini, caused Parmalat to report the following fictitious entries for "assets and amounts available": €3,573,699,000 as of the fiscal year ended December 31, 2002; €3,537,158,000 as of the half year ended June 30, 2003, and €4,221,062,000 as of the quarter ended September 30, 2003. With respect to the purported repurchasing of Parmalat's bonds in the open market, which never took place, the indicted individuals caused Parmalat to falsely report the following amounts: €2.811 billion for fiscal year ended December 31, 2002 and €2.911 billion for the periods ended June 30, 2003 and September 30, 2003.

777. With respect to the Company's "investment" in Epicurum, the Indictment charged that the Company falsely reported that it had invested €496.5 million in the fund when in fact such amounts did not exist.

778. The Indictment also charged the indicted individuals with falsely reporting the true nature of the underwriting arrangements with Credit Suisse First Boston, UBS, Morgan Stanley and Deutsche Bank for bonds sold by those banks in 2002 and 2003, including the true assumption of risk and duties in the event of certain credit events. According to the Indictment, had the true nature of these arrangements been communicated to the market, it not only would

have shed light on the fact that the Parmalat Group's real liquidity was well below the stated levels but it would have revealed Parmalat's financial crisis.

779. The Indictment further charged that the Parmalat-affiliated individuals, Zini and the auditing firm partners failed to fully disclose to investors of Parmalat's private placements and the Company's actual debt owed to creditor banks and other financial institutions. According to the Indictment, the stated amount of debt owed to creditor banks and other financial institutions was substantially lower than the actual debt which, as of December 2003 when Parmalat was placed under extraordinary administration, was of €5.233 billion. Thus, the following amounts were falsified: €2.194 billion reported for fiscal year ended December 31, 2002, €2.349 billion reported for the half-year ended June 30, 2003, and €1.981 billion reported for the quarter ended September 30, 2003.

VIII. THE BANK DEFENDANTS' ROLE IN THE FRAUDULENT SCHEME AND THEIR SCIENTER

780. The Individual Defendants were able to falsify Parmalat's financial statements throughout the Class Period through the use of numerous fraudulent schemes which included, among others, creating off-shore entities, special purpose entities, and bogus financial transactions, as enumerated in paragraphs 119 through 442, herein. The purpose of these fraudulent schemes was to hide the debt of Parmalat and the Parmalat Group and to artificially boost their revenues and assets to ensure that the Company remained attractive to investors. These fraudulent schemes could not have occurred without the knowledge and active participation of the Bank Defendants.

781. Another essential element of the scheme involved the issuance of billions of dollars of debt securities that provided a continuous infusion of cash in order to fund Parmalat's massive buying spree of companies throughout the world, including in the United States. A

number of the Bank Defendants participated in raising at least \$7 billion in new debt capital from investors through numerous securities debt offerings between 1998 and 2003. The monies raised allowed Parmalat to continue its acquisition spree, repay or pay down its short term debt to the banks, and continue to operate the scheme from which they were all benefiting. Thus, the Bank Defendants became an essential part of Parmalat's scheme.

782. These Bank Defendants were rewarded for their creation of various financial vehicles and improper transactions by receiving important roles in Parmalat's debt offerings which generated lucrative underwriting fees. Additionally, through their participation in the fraudulent schemes, the Bank Defendants reaped huge disproportionate profits from rendering financial services and providing loans to Parmalat and the Parmalat Group.

783. As a result of their active participation, each of the Bank Defendants obtained and retained detailed information concerning the actual financial condition of the business and finances of Parmalat and the Parmalat Group throughout the Class Period, which were contrary to what was being publicly disclosed by Parmalat. The Bank Defendants, as discussed below, not only knew of and participated in the fraud, they knew the effects of the fraud on Parmalat's consolidated financial statements.

A. Citigroup's Participation in the Fraudulent Scheme and its Scienter

1. Citigroup's Relationship with Parmalat

784. Citigroup is a full service global financial services firm which had an extensive and close relationship with Parmalat. Throughout the Class Period, Citigroup knowingly and actively participated in the fraudulent scheme in order to reap tens of millions of dollars in fees and commissions paid for its services to Parmalat and its affiliates. Citigroup designed, structured and was an integral part of financing arrangements for a number of Parmalat's subsidiaries which hid Parmalat's huge debt obligations, artificially increased the Company's

reported cash flow from operations and manipulated the Company's financial statements. These actions caused the price of Parmalat's equity securities to be artificially inflated, thereby artificially raising (or maintaining) Parmalat's credit rating and ensuring that the Company would remain attractive to investors. Citigroup also maintained Parmalat accounts in New York and elsewhere, through which Citigroup facilitated the illicit transfer of Parmalat funds to accounts owned and controlled by Tanzi family members or Zini.

785. Citigroup underwrote or served as dealer in offerings for billions of dollars worth of Parmalat debt securities based on completely false financial information, knowing that Parmalat desperately needed the capital to keep its scheme ongoing and undetected. Thus, Citigroup played a direct and crucial role in the Parmalat scheme in order to earn enormous profits and underwriting fees and protect Citigroup's massive direct lending to the Company. Citigroup knew that any perception in the market that the Company was doing poorly would not only endanger the Company's investment-grade credit rating, it would cut off the Company's access to the capital markets and, more importantly to Citigroup, endanger repayment of the financing Citigroup provided to Parmalat.

786. Citigroup's knowledge of Parmalat and its real financial condition is established, in part, by the roles its employees played in the various enumerated schemes which caused Parmalat's financial statements to be false and misleading. Citigroup's employees participated in the fraud as agents for, under instructions and direction from, and on behalf of and for the benefit of Citigroup, so that Citigroup could retain an important client.

787. Citibank had this intimate knowledge of the Company's finances not only through its direct participation in the fraudulent activities, but also because of its close relationship with its important client. As Tonna stated in his January 20, 2004 interrogation, among other banks,

“Citibank in the person of Paolo Botta . . . knew, as insiders, the actual assets and the financial conditions of the [Parmalat] Group.”

788. Many high-ranking Citibank employees worked on Parmalat matters. For example, Donna Carville of Citibank played a critical role in setting up and managing Buconero and Richard Simmons, Peter Davies and Drew Riethnuller helped establish the phony securitization program.

789. Alberto Ferraris, originally of Citibank, was a key manager of the Parmalat account. While at Citibank, Ferraris was involved in many of the improper transactions with Parmalat on behalf of and as agent for Citigroup.

790. In July 1997, Ferraris left Citibank to join Parmalat. In March 2003, he replaced Tonna as Parmalat’s Chief Financial Officer. Before he resigned in November 2003, Ferraris and other Parmalat insiders, as well as Zini and his law firm, worked closely with Citibank to create several deals to mask Parmalat’s true financial condition. Upon Ferraris’ resignation, Citibank lost its insider connection with Parmalat and so it sought to terminate the securitization and all of Parmalat’s other debt.

2. Citigroup’s Role in Creating Off-Shore Special Purpose Entities

791. Citigroup engaged in, participated in and furthered the fraudulent scheme by helping to create and finance or otherwise participate in manipulative devices and illicit transactions with Parmalat which it knew would contribute materially to Parmalat’s ability to falsify its financial condition.

792. According to the New Jersey Complaint, Parmalat did not want to finance its underperforming assets and expansion program by raising debt in the bond market because it would damage Parmalat’s credit rating and increase its cost of obtaining capital. Instead,

Citigroup helped Parmalat use special purpose entities (such as Vialattea, Buconero and Eureka) and esoteric transactions (such as the securitization program) to disguise the Company's debt as equity. These transactions created the false appearance that Parmalat was generating cash flow from its operations, rather than from its undisclosed debt-financing activities.

793. As a result of its close relations with Parmalat and its participation in creating these SPEs, Citibank knew that Parmalat used the offshore entities (established by Citibank) and unusual financing to underreport the debt on the Company's financial statements. Citibank also knew that Parmalat did not disclose the true nature of these transactions to investors, and that the Company hid its financial condition from regulators, creditors and investors.

(a) **Buconero**

794. As explained above (in paragraphs 255 to 269) Citibank proposed the creation of Buconero, a special purpose entity designed to help Parmalat disguise loans as equity investments. Citibank owned and controlled Buconero, which was registered in Delaware as a limited liability company.

795. Citibank structured and directly participated in the Buconero joint venture and its related transactions, allowing Parmalat to conceal growing losses from its operations, particularly those in South America. In these transactions, Citibank loaned money to Parmalat at below market rates, enabling Parmalat to treat the loans as equity investments, rather than recording them as liabilities on the Company's financial statements. As a result, the Company's liabilities were understated by \$137 million.

796. Citibank (and Citigroup) knew that, in reality, it had lent millions of dollars to Parmalat which the Company was falsely characterizing as equity investments. First, the Buconero joint venture agreement with Geslat guaranteed that Citibank would receive a minimum fixed rate of return of 5.68% (later increased to 5.86%). Second, Citibank could not

lose any money from the joint venture because Buconero would pay for losses only when the losses exceeded the contributions of Geslat's other members and the dividends previously paid to the other members of the joint venture. Third, as explained herein (at ¶¶ 257-264), before Geslat's losses could consume the other members' contributions, Citibank could terminate the joint venture. In fact, as Bondi explained in the New Jersey Complaint, Citibank could "dismantle" the joint ventures and require the repayment of its exposure in case of "events indicative of deterioration of the value of the credit to [Parmalat Group]" or in case of a decline in the Geslat's performance.

797. Citibank treated the Buconero transactions as financing vehicles, rather than as equity investments. As Chiaruttini determined, "Citibank sent notice of the relationship with Geslat to Centrale Rischi," a service of Banca d'Italia (the Italian Central Bank), that collects information on bank debt risk. Thus, Citibank treated the transaction as a financing obligation.

798. Citibank (and Citigroup) had a strong financial motivation to design the illicit Buconero financing vehicle for Parmalat, and enabled Parmalat to treat that financing as equity infusions, as Citibank was paid handsomely for its participation in the Buconero arrangement. Specifically, Citibank received approximately \$5 to 6 million annually in returns from Geslat. Moreover, Citibank received approximately \$7 million in additional fees from Geslat – approximately \$1 million for structuring the 1999 deal, \$3.27 million for structuring the 2000 amendment and \$2.8 million for structuring the 2001 amendment.

799. Citibank (and Citigroup) also enabled Parmalat to foster the false appearance of Buconero's financing transactions with Parmalat because it allowed Citibank to reap a number of considerable tax benefits. The New Jersey Complaint cited an October 27, 1999 internal

Citibank memorandum, entitled “MEP for SIRIUS Structure: Capital Change/New Vehicles,” which stated, among other things:

For Fed reporting purposes [Buconero] will characterize the Geslat vehicle as a subsidiary and it will be reported as such.

* * *

[Buconero needs] to satisfy particular U.S. requirements to allow for Citigroup to take part in, and benefit from the transaction. These requirements are most effectively met through the creation of new [special purpose] vehicles.

* * *

From Citigroup’s point of view, the structure creates an investment ...[that] qualifies as equity from a U.S. tax perspective providing a yield pick-up over Libor of around 4% per annum through the allocation of foreign tax credits (FTCs)

800. Since the disclosure of the Parmalat scandal, Citigroup has publicly acknowledged that neither it nor Parmalat was properly reporting the Buconero transactions to investors, stating that “today we would only do this type of transaction if a client agreed to provide greater disclosure,” and admitting that the investments by Buconero were debt and not equity:

During the period from December 1999 through July 2001, Citibank N.A. and Parmalat S.p.A. drew up two interest rate swap contracts [in connection with the Buconero transaction] on the basis of which, **essentially the debt exposure of the Parmalat Group towards Citibank**, deriving from the transaction was transformed from a fixed rate **debt** to a variable rate one.

3. Citigroup’s Role In The Double Billing and Securitization Scheme

801. As explained in detail above, throughout the Class Period, Parmalat secretly issued duplicate invoices for the same products sold to the over 33 distributors within the Company’s food distribution network controlled by the Tanzi family and to hundreds of

supermarkets throughout Italy. The Company booked the fictitious invoices as sales and included them in Parmalat's earnings and accounts receivables on its balance sheet. Banks then provided bank credit to Parmalat that was backed by the fictitious invoices.

802. The false accounts receivable were securitized by Citigroup's financing arm which sold securities through the securitization program that Citigroup knew were based on non-existent assets.

803. Citigroup directly participated in the securitization program. Citigroup structured the program and performed due diligence on the transactions. Citigroup made certain that it would avoid any financial risk or loss on the false sales.

804. According to former Parmalat managers, including Pessina (one of Parmalat's internal accountants under indictment for Parmalat's manipulation of its financial reporting), Citigroup employees knew about the double-billing scheme as early as 1995. Pessina told investigators: "Citigroup did a due diligence that certified in detail the way [Parmalat's] billing system worked." Additionally, Chiaruttini confirmed that Citibank "was aware of the mechanism of double billing," citing a study of the securitization transactions by Banca d'Italia on behalf of prosecutors and a Citibank memorandum dated January 19, 2004. This double-billing scheme enabled Parmalat to falsely and materially inflate its assets, revenues and income during the Class Period.

805. According to the New Jersey Complaint, Citibank conducted its initial due diligence at the offices of Parmalat and Giglio on November 17-22, 1994. During their review, the Citibank representatives met with Parmalat management, including Del Soldato, Pessina and a number of other staff. The Citibank group also met with Giglio management Giorgio Vanicelli and Giorgio Messori, as well as members of Giglio's accounting staff.

806. At his January 14, 2004 deposition, Pessina described Citibank's due diligence as follows:

I maintain that at least since 1995, when the first series of credit transfers were arranged, the bank representatives were completely aware of our invoicing system which has been the same for at least 40 years, including the bookkeeping mechanism of the credit notes transfer to the franchisees. I say this because Citibank performed a due diligence that assessed the details of Parmalat's invoicing functions.

The verification came from Dr. Albertini, the manager of the London branch of the bank. I explained well the mechanism of the credit notes to Albertini.

807. Pessina further testified at a January 30, 2004 deposition as follows:

In order to execute the contract, the officers of Citibank stayed in Parmalat for a week and spoke with me with respect to the invoice system in Parmalat. In particular, I showed them the invoice system to the concessionaires, the issue of the credit notes, and the issue of the invoices to the supermarkets. During the meeting, the officers performed the due diligence. The mechanism of the credit notes was also explained. Tonna executed the agreement.

I believe that the new agreement was made by Tonna with Botta. The officers of Citibank were allowed to inspect Parmalat at any time. Since 1995 they came at least once a year and they analyzed all the documents they requested. The officers of Citibank that came were at first Dr. Albertini and afterwards Nigel Kilvingston who was in charge of the [delivery] notes, the invoices, but they never requested the VAT book or the clients' charts. In June 2003 an officer of Citibank, who was sent by the London office, did a new due diligence.

I am sure that in 1995 the Citibank officers knew exactly the invoice and credit note system of Parmalat.

808. Citibank also knew from its due diligence that Parmalat and Giglio supplied supermarkets and small retailers through a network of "concessionaires" or wholesale dealers, and understood Parmalat's phony system of invoicing for the goods it sold. The New Jersey Complaint describes a November 1994 due diligence report attached to the 1995 Agreement which details Parmalat's billing system:

Dealers and all the other clients apart from supermarkets are invoiced by Parmalat or Giglio at delivery.

* * *

The dealers are invoiced for all the goods purchased from Parmalat. When a dealer makes deliveries to a supermarket chain, it returns corresponding delivery notes to Parmalat and Giglio. [Parmalat and Giglio] then issue a credit note to the dealer for the corresponding amount (plus its fees) and at the same time invoices the relevant supermarket's invoicing [center]

* * *

Parmalat's dealers have to pay all of their invoices in full, and receive a [check] for the credit notes due to them. Giglio prepares a monthly statement for its dealers with details of all the invoices and all the credit notes issued during the month. Giglio's dealers then pay the net balance according to the agreed payment terms.

809. A subsequent memorandum dated May 18, 1995 prepared by Citibank senior representatives after due diligence conducted by Citibank on May 12 through 17, 1995 again detailed Parmalat's invoicing system which, as described in the New Jersey Complaint, provided:

- Parmalat sells its products to its exclusive dealers. Dealers are then invoiced for each delivery to them and . . . they pay Parmalat the full amount of each invoice.
- Parmalat's dealers sell Parmalat's products to some retailers on their own account, and distribute Parmalat's products to some supermarkets on Parmalat's behalf.
- Whenever a dealer supplies a supermarket on Parmalat's account, the supermarket countersigns a delivery note. The delivery note is then delivered to Parmalat, which in turn issues an invoice for the relevant supermarket, and credit note for the relevant dealer.
- Credit notes and invoices are issued at the end of the week. Dealers pay the invoice in full and receive a [check] for the amount of the credit note. The credit note follow [sic] the payment terms of the invoices to the relevant dealer.

810. Citibank performed due diligence on Parmalat and Giglio annually until July 23, 1999, after which it conducted due diligence at two year intervals. Each time, Citibank had knowledge of Parmalat's dual invoicing procedure.

811. Citibank performed additional due diligence each time a Parmalat subsidiary was added to the program. For example, on November 19, 1999, Citibank employees Peter Davies, Dick Simmons and Alessandra Passini conducted due diligence at Centrale del Latte di Roma and Eurolat before those companies were added to the receivables program. As explained in the New Jersey Complaint, the November 1999 due diligence report on those companies noted that Centrale del Latte di Roma and Eurolat both used the same dual invoicing process that Parmalat used.

812. Based on Parmalat's billing system, Citibank should have sold the supermarket invoices together with the dealer invoices it purchased only after deducting the credit notes to the dealers. Although Citibank knew that Parmalat's dual invoicing system generated duplicate invoices for the same goods sold, Citibank continued to securitize and sell the duplicate invoices (on behalf of Eureka and/or Archimede) to investors as if they were separate invoices for separate goods. As the Company explained in its New Jersey Complaint, Citibank sold investors the supermarket invoices and the dealer invoices, even though, as Citibank knew, Parmalat was entitled to receive money from just one set of invoices. Citibank therefore double counted the invoices, and defrauded investors into thinking they were acquiring the rights to a revenue stream that was double what it was in reality.

813. As Citibank (and Citigroup) knew about the double billing, they also knew that the securitization program Citibank designed would create a false impression about Parmalat's cash flow from its operations, and therefore mislead the market about Parmalat's real financial

condition. Citibank and Citigroup knew that this deception would help Parmalat raise nearly twice as much money as it otherwise could have raised had the market been aware (as was Citigroup) of Parmalat's weakening financial condition.

814. In its financial statements, Parmalat included in its balance sheet factoring transactions through securitization under the line item "securitization transactions related to the credit discount *pro soluto*." As found by Chiaruttini, the assignments of credit from Parmalat to Archimede were improperly included among securitization transactions because in reality those transactions were financing transactions.

815. Further, Chiaruttini found that the assignment from Archimede to Parmalat of the right to collect the assigned credits did not comply with the regulations governing securitization, which reserve the right to collect payment to certain categories of financial institutions that are independent of the entities generating the credits. Parmalat was using its own subsidiaries to collect on these credits. Thus, by using the term "securitization" to describe the transactions with Archimede and Eureka in the balance sheet, Citibank misled investors into believing that the appropriate independent third parties were performing the collection of the credits and that such credits were "good" and paid.

816. Citibank and Citigroup knew that Parmalat's real financial condition was quite different than it appeared in the balance sheets (and financial statements), and knew that Citibank was purchasing and then selling non-existent receivables from Parmalat.

817. Citibank and Citigroup also knew that they and their two special purpose vehicles – Archimede and Eureka – had no credit risk because all of the risk was passed to the purchasers of the securities.

818. Citibank and Citigroup had substantial motive to participate in the improper securitization scheme. Citibank, on behalf of Eureka, sold approximately \$348 million of securities, based in substantial part upon the phantom receivables, to investors in the United States and abroad. For its part in the sales and securitization program, Citibank received approximately \$35 million in fees, or over 10% of the total amount sold; a healthy commission by any standard.

4. Citigroup's Role In Falsely Characterizing Debt As Equity

819. Citibank and Citigroup also had access to information not otherwise publicly available that revealed Parmalat's true financial condition due to its role as a direct investor in Parmalat. Citibank purchased a 24.9% interest in Parmalat Canada at an inflated price, which investment helped Parmalat artificially inflate its balance sheet, assets and shareholder equity.

820. As stated above (in paragraphs 368 to 385), Citibank loaned millions of dollars to Parmalat to enable the Company to continue its acquisition program, structuring these loans to enable Parmalat to disguise them as equity investments by Citibank. As a condition of the financing, Citibank (and Citigroup) required Parmalat to enter secret put agreements, never disclosed to investors, allowing Citibank to be repaid for its "investments" at set prices that guaranteed substantial profits.

821. Citibank (and Citigroup) thus knew that the bank's "investments" were actually loans. Nevertheless, Citigroup publicly characterized the transactions as equity investments, and knew that Parmalat, too, characterized the Citigroup financing as equity on Parmalat's books.

822. Citibank designed the financing transactions to enable Parmalat to characterize them as equity and thereby maintain the false appearance of a lower debt-to-equity ratio. According to defendant Tanzi, Citigroup knew of Parmalat's financial crisis, and that Citibank's

securitization program was designed to and did artificially depict Parmalat's true financial condition.

823. Citibank and Citigroup were motivated to participate in this scheme. In return for their participation, Citibank received Cdn \$1.3 million in subscription fees from Parmalat Canada and Cdn \$5.6 million in financial advisor fees, in addition to its net tax-free gain of Cdn \$47.82 million on the exercise of the put option. This abnormally high return can only be explained by the illegal nature of the activity.

824. Citibank accounts were used by Parmalat and Zini & Associates with Citibank's knowing participation to facilitate the fraud. In fact, according to the New Jersey Complaint, hundreds of millions of dollars were channeled through these bank accounts.

825. The New Jersey Complaint describes several of Citibank's highly suspect transactions. Between January 2002 and August 2003, at least \$27 million was transferred from the foreign bank accounts of two Parmalat subsidiaries – Parmalat Capital Finance Ltd. and Parmalat Trading Limited Malta – to Zini & Associates' Citibank accounts.

826. Defendant Tonna has admitted that Zini & Associates' accounts were used “for moving the funds misappropriated [from Parmalat] for the Tanzi family as well as [for] the bonuses intended for me.”

827. Citibank has an obligation to report, and prevent, money laundering. Based on the nature and size of these transfers, Citibank (and Citigroup) knew (or were extremely reckless in not knowing) that Zini & Associates accounts were being used for money-laundering and other improper transactions. Nevertheless, Citibank did nothing to report or present this illegal activity.

828. Despite Citigroup's obligations and the red flags raised by the highly suspicious activity in the Zini & Associates accounts, Citigroup failed to take any steps to prevent Zini & Associates and Tanzi and other Parmalat insiders from using those accounts to transfer funds among some very dubious entities into and out of Citibank bank accounts and into and out of bank accounts around the world.

5. Citigroup Knew Or Was Reckless In Not Knowing Of Parmalat's Fraudulent Scheme

829. Further, as described in the New Jersey Complaint, Citigroup had access to the Bank of Italy's "Centrale Rischi" data which showed that Parmalat's financing of receivables, of which Citibank was a key part, was a material item on Parmalat's balance sheets. Citibank recklessly ignored the implications of this data, which showed that Parmalat's receivables financing was greater than Parmalat's actual gross income.

830. Citibank continued to arrange financing for Parmalat knowing, but not disclosing to the investment community, that Parmalat used the transactions to falsely present the Company's financial condition. As Citibank and Citigroup knew, Parmalat did not properly or truthfully reflect the financial impact of the transactions engineered by Citigroup on the Company's financial statements.

831. Allowing Parmalat to keep its actual condition secret, Citibank enabled Parmalat to maintain an investment grade credit rating, so that it could continue to raise additional financing for its mounting operating losses and its insiders' massive looting of the Company, exacerbating Parmalat's already worsening financial condition.

832. Citigroup continued to actively participate in the ongoing fraudulent scheme because such participation created enormous profit for Citigroup as long as the Parmalat scheme continued to operate – something that Citigroup was able to perpetuate.

833. Thus, Citigroup is directly liable to Plaintiffs and the Class for its knowing participation in the fraudulent scheme, course of conduct and course of business of Parmalat, which contributed to the falsification of Parmalat's financial statements, helped to artificially inflate the trading price of Parmalat's publicly traded securities and inflated the value of Parmalat's bonds, all of which defrauded purchasers of Parmalat's securities during the Class Period.

B. Bank of America's Participation In The Fraudulent Scheme And Its Scierer

1. Bank of America's Relationship With Parmalat

834. Bank of America had extensive commercial and investment banking relationships with Parmalat. Bank of America capitalized on this close relationship, and sought additional business and fees from Parmalat, by lending Parmalat money, structuring transactions that were integral to the manipulation and falsification of Parmalat's financial statements and selling hundreds of millions of dollars of Parmalat's private placement securities to U.S. investors, based on what Bank of America knew were materially false and misleading statements about Parmalat and the transactions. As Bondi stated in the North Carolina Complaint, many documents relating to Parmalat's transactions with Bank of America were drafted or reviewed by Bank of America's U.S.-based inside and outside counsel.

835. Bank of America's various relationships with Parmalat were conducted through Bank of America executives whom Bank of America Corp. controlled, including Sala, who was responsible for the Parmalat account and Bank of America's corporate Finance and Relationship Management team, Antonio Luzi, who worked directly under Sala's supervision and was a member of the Corporate Finance and Relationship Management team, and Luis Moncada, who was responsible for the credit portfolio of Bank of America's Italian branch. At all material times, Sala, Luzi and Moncada, as well as the other Bank of America officers and employees

who engaged in the conduct alleged herein, were acting in the ordinary course and scope of their duties and employment by Bank of America and were the agents of Bank of America used to carry out the fraudulent scheme alleged herein.

836. Sala left Bank of America in 2003 (due to accusations he inflated expense reimbursements) to become a highly paid consultant to Parmalat. Sala, Luzi and Moncada, as agents of Bank of America, have since been indicted by the Milan prosecutors for working together with Parmalat's representatives, including Tanzi, Tonna, Del Soldato, and Ferraris, as well as Zini and Deloitte partners Mamoli and Rovelli, to manipulate the market for Parmalat's securities, and for false accounting and financial reporting, knowing of Parmalat's undisclosed deteriorating financial condition.

837. Sala confessed to Italian prosecutors that the Parmalat account was one of Bank of America's most lucrative relationships in Europe. Thus, Bank of America and its employees acting on behalf of the bank were motivated to participate in the fraud in order to maintain this relationship. The value of Parmalat's business to Bank of America is confirmed by Ferraris' testimony (corroborated in public statements by Bank of America) that Kenneth Lewis, the Chief Executive Officer of Bank of America, as well as Shahzad Shabaz, the head of Bank of America's European operations, traveled to Collecchio, Italy in the Summer of 2003 to solidify Bank of America's relationship with Parmalat and to solicit additional business.

2. Bank of America's Involvement In Parmalat's Issuance Of Private Placement Offerings

838. Although Parmalat's financial condition was rapidly deteriorating, Bank of America devised ways to enable Parmalat to maintain its good credit rating so that the Company could continue issuing debt at costs lower than it would incur had the market been aware of Parmalat's true financial condition.

839. A substantial amount of Parmalat's private placements were sold by Bank of America, including over \$1 billion in the United States. Moncada stated in his interrogation that Bank of America's U.S. Private Placements Group, Credit Management Group, Relationship Management Department, Swap Group, Foreign Exchange Group, Emerging Markets Group, Syndications Group and Structural Credit Products Group (in the United States and elsewhere) were all involved in handling transactions with and for Parmalat. Moncada further stated that someone from the United States office of Bank of America's Private Placement Group traveled to Italy to help him draft the information memoranda for the offerings.

840. During the Class Period, Bank of America Corp. and its subsidiaries, Banc of America Securities LLC and Bank of America Securities Ltd., acted as an underwriter or placement agent for more than \$1 billion in debt securities in the United States and in other countries. To sell these Parmalat securities in the United States, Bank of America representatives arranged "road shows," *i.e.*, meetings with major United States institutional investors during which Bank of America representatives, together with Tanzi, Tonna and Zini, distributed false and misleading information about Parmalat.

841. According to Giorgia Bocchi, the Parmalat employee who oversaw the documentation process used for debt placements, Parmalat had a routine procedure for placing privately issued notes. First, Bank of America would propose the transaction to Tonna and then send the appropriate documentation to Bocchi. The documentation relating to the private placements proposed by Bank of America usually contained an "information memorandum" and a form titled "due diligence." The "due diligence" form contained "questions on the composition of the group, the balance sheets, their business and other things...". Bocchi forwarded the "due diligence" form to Tonna, who would provide draft answers to the questions raised. Bocchi then

sent the package of documents to Zini's New York office for review. Once he received the documents with Zini's changes, Tonna would give the package a final review and then send it to Bank of America. At times, Zini (with Tanzi's express approval) and other lawyers at the New York offices of the Law Firm Defendants signed the contracts on Parmalat's behalf.

842. Moncada, the Bank of America credit officer who reviewed the Parmalat transactions testified that when Parmalat asked Bank of America to finance entities in "at risk" or emerging countries, Bank of America used U.S. private placements to "create the 'cash register' necessary to the distribution of the funds. In this manner, Parmalat itself could reuse the money coming from the U.S. investors that took part in the private placement." In essence, Bank of America would fund a loan through its branch in the participating country and have the Parmalat subsidiary that issued the private placement guarantee the loan with the funds from the private placement, which always was for the same amount as the loan. Thus, Bank of America had no credit risk in the transactions; if the loan was never repaid, Bank of America recouped the funds from the guarantee, which according to Moncada's testimony, "obviously equaled the amount of the loan." In this manner, Bank of America shifted to unwitting United States investors all of the bank's risk on "loans" it made to Parmalat's subsidiaries.

843. As Tonna stated in his January 7, 2004 statement to Italian prosecutors:

Bank of America was the bank that made us issue almost all of the private placements in the US. The bank contacted the institutional investors, prepared a prospectus appropriate to the U.S. and examined all the balance sheets. Being aware of all those private placements, of the bonds issued, being able to examine the balance sheets of the group and being able to turn to "Centrale Rischio" for information, Bank of America was in a perfect position to comprehend the adverse deficit balance situation of the group. Bank of America earned high commissions for every transaction I have described.

844. Parmalat also used funds generated in private placements as cash collateral to guarantee loans provided by Bank of America. In "cash collateral" transactions, Bank of

America required Parmalat to deposit an amount equal to the loan amount into an account at Bank of America. Generally, Parmalat would raise the money for the deposit through a private placement underwritten and managed by Bank of America.

845. Thus, Bank of America often demanded or forced Parmalat to undertake securities sales to raise money to repay commercial loans to Bank of America (e.g., the U.S. private placements). According to a February 27, 2004 *Agence France Presse* article:

The banks, in particular Bank of America, are said to have pressured Parmalat to issue bonds, several newspapers reported, and the sums involved were used exclusively to reduce the exposure to the group carried by credit institutions, according to the reports. They alleged that banks received amounts greater than the commissions that are usually charged for such transactions.

846. For example, on or about September 29, 1998, Bank of America organized an SPE called USPP Trust II, which it used to raise \$80 million through the private placement of medium term notes. These notes were guaranteed by Parmalat and were sold to several U.S. insurance companies, including Principal Life Insurance Company, Metropolitan Life Insurance Company, New York Life Insurance Company, New York Life Insurance and Annuity Corporation and Nationwide Life Insurance Company. The funds raised were distributed to Eurofood IFSC Limited (“Eurofood”), a Parmalat subsidiary. Eurofood used the proceeds to make an \$81.6 million deposit to a Bank of America account in London. The deposit was required by Bank of America as a condition of its making an \$80 million loan to certain Parmalat subsidiaries in Venezuela. Neither Bank of America nor Parmalat disclosed this transaction was related to the Venezuelan loan, or that the \$80 million loan was done to pay off a 1997 Bank of America loan in the same amount to Parmalat Venezuela that lacked the same security for Bank of America.

847. Bank of America used this private placement model to fund at least two other loans to Parmalat subsidiaries: a September 1998 \$100 million loan to Parmalat Brazil; and a December 2001 \$80 million loan to Parmalat Capital Finance. In each instance, Bank of America publicly announced it had made a conventional loan in the stated amount to Parmalat. The reality of these transactions, however, was much different. Each of these purported loans was paired with a private placement underwritten by Bank of America through its agent, Bank of America Securities LLC. As with the 1998 Parmalat Venezuela loan, Bank of America insured that it would bear no risk from these transactions by passing the audit risk on to the unwitting private placement investors.

848. In this manner, Bank of America was able to minimize its own financial exposure to the deteriorating financial situation at Parmalat by controlling the amount of the bank's commercial loan exposure to Parmalat. But, even with limits on its exposure, Bank of America's assistance in Parmalat's fraud did not come cheap. Bank of America's loans were generally structured with side letter agreements, never publicly disclosed, that required Parmalat to pay additional interest on its loans, which of course were generally combined with private placements from which Bank of America extracted huge fees. The North Carolina complaint alleges that Bank of America earned over \$30 million in fees and purported interest for engaging in these transactions with Parmalat.

3. Bank of America's Role in Falsely Characterizing Debt as Equity in Parmalat's Brazilian Operations

849. As set forth above, Bank of America designed transactions by which Parmalat raised hundreds of millions of dollars by high-interest financing disguised as equity. As set forth above in paragraphs 394 through 405, Bank of America arranged the "sale" of an 18.18% interest in Parmalat Administracao to North American investors for \$300 million. Bank of

America coordinated the entire transaction, including structuring the deal and finding the investors for it. Sala, working as an agent of Bank of America, helped draft the Company's December 18, 1999 press release that described the transaction as a sale – a statement Bank of America knew was false. The day before the press release was issued, Sala advised Tonna in a fax how to describe the transaction:

Please use a text like the following: Bank of America has led a group of U.S. investors to invest \$150 million in the Brazilian operating subsidiary of the Parmalat Group. The transaction may increase by a further \$150 million expected to take place within the end of the year.

A fax that Sala sent to Tonna later in the day indicates that they discussed the press release over the telephone and were debating whether to value the Brazilian unit at \$1.35 billion or \$1.5 billion.

850. The next day, the Company issued its press release stating that its Brazilian unit had “increased its capital share in favor of a group of North American investors led by Bank of America” and valued the Brazilian unit at \$1.35 billion. The press release made it appear as though the Company was issuing new equity for cash to finance Parmalat's expansion. According to the North Carolina complaint, Bank of America received \$5.5 million in fees for this transaction and may have received an additional \$3.75 million through a Swiss bank account controlled by Bank of America's agent, Sala. Bank of America also entered into a swap agreement whereby Bank of America would “front” Dairy Holdings and Food Holdings the funds needed to make interest payments on the notes in return for a fee to be paid when the notes matured. After these transactions, Bank of America, N.A. used secret agreements to alleviate its own credit risk, including documents from Bank of America, N.A.'s U.S. lawyers which stated “Do Not Show to Noteholders” in bold type across the top.

851. Later on, when it became obvious that Parmalat could not raise the money to redeem the notes, Bank of America tried to restructure this transaction through another special purpose vehicle, CUR Holdings. Bank of America and Parmalat characterized CUR Holdings as a company controlled by Banca Cantonale Dei Grigioni, when, in fact, the real control was exercised by an anonymous Cayman Islands company funded and controlled by Bank of America through its agent, Sala. As part of this restructuring, Bank of America proposed to enter into a “Zero Coupon / Interest Rate Savings” transaction with Parmalat that would provide \$300 million needed to reduce the notes, with the remainder coming from CUR Holdings. According to the North Carolina complaint, Bank of America planned to propose another private placement to Parmalat to take out its own and CUR Holdings exposure.

852. According to the Indictment filed May 26, 2004 by the Milan prosecutors, when the Brazilian unit finally and inevitably defaulted in December 2003, the investors in the notes lost over \$400 million, while Bank of America, its agents, Sala, Luzi and Moncada, and their cohort at Banca Cantonale Dei Grigioni, pocketed a net sum of \$21 million paid by Parmalat to close “Operation CUR.” According to a Chiaruttini report, Bank of America and Banca Cantonale Dei Grigioni received \$8.25 million in commissions from Parmalat to structure the CUR Holdings transaction.

4. Bank Of America Knew Or Was Extremely Reckless In Not Knowing Of Parmalat’s Fraudulent Scheme

853. According to testimony by Tonna, Bocchi and others, Bank of America was aware of the true value of Parmalat’s assets and liabilities and financial condition. Bank of America had access to the Centrale Rischi, Italy’s national registry for bank debt, as well as to Bloomberg’s electronic financial news reporting service from which it could determine the size of Parmalat’s real debt obligations. Moreover, Bank of America also knew, or was extremely

reckless in not knowing, that Parmalat was in danger of defaulting on various debt covenants. Nevertheless, despite this knowledge and having prepared memoranda used in various private placements of Parmalat securities sold in the United States, Bank of America directly caused information to be disseminated to the financial markets that misrepresented Parmalat's true, dire financial condition and the nature of the transactions it was engaging in with Bank of America.

854. Bank of America participated in the ongoing fraudulent scheme because this involvement generated such massive fees. Indeed, Tonna told investigators on January 20, 2004 that Bank of America made themselves "willing and available" to do many transactions with the Parmalat Group because "fat commissions were at stake as well as yearly budget targets and career opportunities for Bank of America's managers."

855. Thus, Bank of America is directly liable to Plaintiffs and the Class for its knowing participation in the fraudulent scheme, course of conduct and course of business of Parmalat, which contributed to the falsification of Parmalat's financial statements, helped to artificially inflate the trading price of Parmalat's publicly traded securities and inflate the value of Parmalat's bonds, all of which operated to defraud purchasers of Parmalat's securities during the Class Period.

C. Credit Suisse First Boston's Participation In The Fraudulent Scheme And Its Scierter

1. CSFB's Relationship with Parmalat

856. CSFB directly participated in a complex financial transaction with Parmalat (through Parmalat Brasile), the aim of which was to artificially inflate Parmalat's assets, while appearing to provide the Company with financing through the issuance of bonds by Parmalat Brasile. In addition, for its participation in the scheme, CSFB and its affiliate, Credit Suisse First

Boston (Europe) Ltd., obtained lucrative roles in underwriting Parmalat securities and thereby earned millions of dollars in commissions.

857. CSFB's role in this Parmalat Brasile transaction was part of a larger three-phase transaction that, as described by Chiaruttini, also involved the issuance of bonds by Parmalat and its subsidiary, Parmalat Finance Corporation B.V. Most of the debt represented by this financing never materialized in Parmalat's books, thereby fraudulently inflating the Company's assets, cash flow and credit ratings related to the issuance of debt in the failure. This intra-company deal would not have occurred without CSFB's direct participation.

2. CSFB's Role As Bond Underwriter

858. As described above, in or about May 2001, CSFB prepared the prospectus for the €300 million Parmalat Brasile bond offering, underwritten and structured by CSFB, which also directly purchased and held €500 million of the bonds issued by Parmalat Brasile. CSFB also served as underwriter for €250 million in bonds issued by Parmalat Finance Corporation B.V., in a transaction enabling Parmalat to record €40 million in assets and conceal €248 million in additional debt incurred as a result of the bond offering.

859. CSFB knew that the transaction was designed for and enabled Parmalat to record approximately €250 million as an asset on its balance sheet, which should have been recorded as additional debt. As Chiaruttini has concluded, this transaction was "never highlighted as debt to the bondholders or indicated in the note to the balance sheet and communicated to CONSOB." However, as CSFB knew, investors were not aware of this debt, and so the new debt did not negatively affect Parmalat's credit rating (though it would have, had it been disclosed) or its ability to issue more debt in the future.

3. CSFB Knew Or Was Extremely Reckless In Not Knowing Of Parmalat's Fraudulent Schemes

860. CSFB's inside knowledge of Parmalat's true financial condition through its services provided to Parmalat and related due diligence, enabled CSFB to sell its equity stake in Parmalat in early 2003 prior to the Company's collapse.

861. CSFB engaged and participated in the ongoing fraudulent scheme because such participation created enormous profits for CSFB as long as the Parmalat scheme continued in operation – something that CSFB was in a unique position to help occur.

862. CSFB structured the entire Brazil transaction to eliminate the risks associated with its underwriting. CSFB purchased all €500 million of the initial bonds from Parmalat Brasile, transferred €248,312,500 of its risk back to Parmalat through a Forward Sale Agreement, and then transferred its remaining risk to the market through the sale of the bonds without the right to conversion.

863. Through the transaction, designed by CSFB, Parmalat manufactured €248 million in assets, provided Parmalat Brasile with €250 million in financing and concealed €248 million in debt on its consolidated financial statements. As a reward for designing and participating in this scheme, CSFB was awarded lucrative underwriting roles by Parmalat and thereby reaped millions of dollars in commissions for its services in at least three debt offerings during the Class Period.

864. Thus, CSFB is directly liable to Plaintiffs and the Class for its knowing participation in the fraudulent scheme, course of conduct and course of business of Parmalat, which contributed to the falsification of Parmalat's financial statements, helped to artificially inflate the trading price of Parmalat's publicly traded securities, inflate the value of Parmalat's

bonds, all of which operated to defraud purchasers of Parmalat's securities during the Class Period.

D. BNL's Participation In The Fraudulent Scheme And Its Scienter

865. BNL was an eager participant in Parmalat's fraud – specifically, in the factoring scheme that it conducted with Parmalat through its subsidiary Ifitalia. As BNL's agent, Ifitalia provided liquidity to Parmalat through the factoring of old and stale invoices. BNL used Ifitalia as its agent and instrument in the factoring scheme – which Ifitalia conducted for the benefit of and with the authority of BNL – with full knowledge and understanding that the invoices being factored were old and stale and therefore without any value.

866. Through this fraud, BNL provided financing to Parmalat through factoring transactions without any risk to BNL. Specifically, old invoices reflecting amounts previously owed to Contal (a wholly-owned Parmalat subsidiary incorporated by Grant Thornton and other defendants) and other Parmalat dealers were assigned to BNL for cash. As these receivables no longer existed, no money was ever paid from third-party debtors to BNL – as is the case in typical factoring arrangements — but instead came from Contal and other Parmalat dealers with funds wired directly from Parmalat.

867. Thus, BNL bore only the credit risk of Parmalat itself, not the party who owed the receivables. Additionally, the returns it earned on its factoring business with Parmalat were far greater than returns earned in typical factoring transactions. These inordinate returns were a payoff for BNL's participation in the fraud.

868. BNL also participated in the fraud because of its close ties and common directors with Parmalat. Paolo Sciumé, in addition to being President of Ifitalia, was a member of the Board of Directors of both BNL and Parmalat. Likewise, as Tanzi has testified, Enrico Barachini

was also a member of both Boards. Through these common directors, BNL had intimate knowledge of the fraud.

869. BNL's knowledge of the fraud was also apparent in its acceptance of numerous invoices which were identical except for a change in one digit — a change made so that the invoices would be accepted by BNL's processing software which was designed to identify fraud.

870. BNL's factoring relationship with Parmalat amounted to approximately €103 million a year.

871. BNL eagerly orchestrated and participated in the fraud. In addition to receiving inordinate returns on the factoring arrangements, during the Class Period BNL acted as co-managing underwriter for at least two bond offerings totaling in excess of €550,000,000 issued by Parmalat Finance Corp. B.V., and reaped enormous profits from those offerings. The huge returns earned by BNL on the factoring transactions, and the roles it was given and resulting fees earned in the bond offerings, were payoffs to BNL for its participation in the fraud.

IX. ZINI'S AND THE LAW FIRM DEFENDANTS' PARTICIPATION IN THE FRAUDULENT SCHEME AND SCIENTER

872. Zini came to New York to pursue fraudulent activities at Tanzi's behest. Tonna has told investigators that Zini was "at the center of Parmalat's financial scheme" and, in fact, was one of its "masterminds." Other former Parmalat executives have testified and reports by Chiaruttini and PwC confirm that Zini and the New York offices of the Law Firm Defendants not only knew about Parmalat's accounting fraud, they were the nerve center of the fraud. The Law Firm Defendants created various entities and engineered transactions to hide the Company's growing debt and divert Parmalat funds to Tanzi and companies owned by his family.

A. Zini's Complex Scheme to Circumvent Italy's Antitrust Laws

873. One of Zini's many tasks in the fraud was to help Parmalat evade Italy's antitrust laws. In essence, when Parmalat could not find a buyer for the subsidiaries, Zini, acting as agent for and on behalf of the Law Firm Defendants, created a fictitious one on paper.

874. The antitrust issue first arose in 1999, when Parmalat acquired Eurolat, the dairy division of Cirio, a major Italian company. At the time, Eurolat was Parmalat's rival and a leading dairy company in Italy. As a result of the acquisition, Parmalat had 35% of the market for Ultra High Temperature milk and 30% of the market for fresh milk.

875. The Italian Antitrust Authority subsequently ordered Parmalat to divest itself of several Eurolat brands and trademarks, including: Matese, Torre in Pietra, Sole, Polenghi, Giglio and Calabria Latte.

876. Parmalat, however, could not find a legitimate buyer for these brands. Instead, Zini, acting as agent for and on behalf of the Law Firm Defendants, engineered a series of complex transactions resulting in a fake sale to a U.S. company that Zini controlled.

877. First, the Parmalat trademarks were "sold" on November 16, 2000 to Newlat S.r.l., incorporated in Italy on November 7, 2000, for a purported price of some \$56 million. Yet, this amount was never paid. Instead, two promissory notes (one for \$10 million and the other for \$46 million) were issued and included in Parmalat's balance sheet as a receivable from a third party.

878. PwC included in its report that credits related to the promissory notes were assigned to Bonlat and later disappeared.

879. Next, the two promissory notes were replaced on December 18, 2001 with a single \$59 million note from Findairy Corporation. The notes were signed by Zini (as agent for and on behalf of the Law Firm Defendants) as the "attorney in fact." Moreover, Findairy

Corporation, which Zini and the Law Firm Defendants incorporated in Delaware, shared the same address and telephone number as the New York office of the Law Firm Defendants. In fact, as Ghiringhelli of PwC explained to Italian prosecutors, Zini was “a member of this company’s [Findairy’s] management team.” By this time, Newlat S.r.l. had been acquired by a U.S. citizen named Louis Caiola, who later sold it to Nulait Ltd., a British Virgin Islands corporation owned by Caiola.

880. The third step of the scheme occurred at the beginning of 2002, when Nulait Ltd. “sold” Newlat S.r.l. to ECM Euro Italia Acquisition Corp., a Connecticut entity owned by a U.S. citizen named Anthony F. Buffa. In June or July 2003, ECM sold Newlat S.r.l. to Boston Holdings Corporation, another company that Zini and the Law Firm Defendants incorporated in Delaware. Not coincidentally, the President of Boston Holdings Corporation is Stephen White, Zini’s brother in law.

881. On September 18, 2002, Newlat, the \$62 million “asset” reported on Parmalat’s balance sheet (which, with interest, had increased in value) was transferred to Bonlat where, like many other fictitious credits, it ultimately disappeared without any money ever changing hands.

B. Zini As Agent For The Law Firm Defendants Controlled Companies That Engaged In Sham Transactions with Parmalat And Its Affiliates

882. On July 10, 2001, Parmalat Capital Finance Ltd. booked a “receivable” from Western Alps Foundation in the amount of \$18,126,584. It was increased to \$21.9 million at the end of 2001, and rose to \$28,853,000 on March 1, 2002. Not Chiaruttini, Bondi nor PwC, have been able to locate any documentation to support these huge receivables or to explain the underlying transactions or their accounting treatment. Western Alps Foundation is another Delaware entity that shares Zini & Associates’ New York City address.

883. Even more mysterious is the fact that between February 27 and June 26, 2002, Bonlat “loaned” Western Alps Foundation some \$1.2 billion, for which Bonlat booked currency exchange rate profits of \$83,603. It is hard to believe that this exchange was legitimate, since the loan was made six to ten months after Western Alps Foundation had been dissolved.

884. Web Holdings, Inc. is another bogus shell company that has the same address as the Law Firm Defendants in New York City. Web Holdings Inc. controlled Western Alps Foundation. On June 23, 2000, Parmalat Capital Finance Ltd. reportedly purchased \$88.4 million in bonds from Web Holdings, Inc. The only supporting documentation located by Chiaruttini, Bondi and PwC consists of an order from Parmalat Finance Corporation B.V. on behalf of Parmalat Capital Finance to transfer €95 million in favor of “Business and Leisure S.A.” (a Tanzi-controlled company) into an account at the Caise Centrale Raiffesen in Luxembourg. This transfer was improper and should have raised red flags to Deloitte and Grant Thornton, as the transfer was sizeable and in the payment went to the Luxembourg account of a Tanzi-controlled entity instead of going to the U.S. where Web Holdings, Inc. was located.

885. PwC stated in its report that Pavia provided an opinion to Parmalat on the securitization transactions, at a time when Zini was at Pavia. That opinion was addressed to the Sherman & Sterling law firm in New York and to Citibank. Pavia also served as legal advisor to Parmalat USA on the securitization transactions, and (as Sala stated in his March 2, 2004 interrogation) served as advisor to Parmalat on various matters, including the 1999 Brazil transaction in which Pavia provided “their legal opinion on the structure and organization of the operation.”

C. Epicurum Fund

886. Zini and the Law Firm Defendants also created the fictitious Cayman Islands investment fund, Epicurum, which purported to hold over 500 million euros of Parmalat’s liquid

funds. In reality, the Epicurum fund consisted of fake intercompany credits that would never be collected. As Tonna stated in his interrogation, the Epicurum fund was engineered to “de-activate” uncollectible credits. Epicurum was nothing more than an illusion of a fund, completely reliant on fake banking documents. Moreover, as Tonna reported, “Zini was completely aware of the true purpose of Epicurum. Zini did all of the work in creating and then managing the fund.” Del Soldato deemed Zini to be “the key person in the Epicurum matter” and stated (on December 22, 2003) that Zini billed Parmalat 1 million euros for opinions and services relating to the Epicurum fund. Bocchi provided similar testimony on December 20, 2003.

887. According to Andrea Petrucci, who was responsible for drafting Parmalat communications to the financial markets, and who was interrogated by prosecutors on December 29, 2003, Zini provided all of the financial information to Epicurum that was ultimately disclosed to the market. Additionally, as Ghiringhelli of PwC stated in his report to the prosecutors in Milan, Zini sent a letter to Grant Thornton “explaining the characteristics and the objectives of the Epicurum fund” and stated that “the fund had \$529 million from investors” when “in reality, there is no evidence that other investors, besides Bonlat, were involved.” As explained herein (at ¶¶354-367), this information about Epicurum was wholly fictitious, as Epicurum did not hold any liquid funds whatsoever. Indeed, Zini even drafted press releases relating to Epicurum and currency swaps and other economic transactions in November 2003.

D. The Use Of Bonlat to Divert Funds

888. Starting in the late 1990s, Zini and the Law Firm Defendants assisted in altering the Company’s balance sheets and diverting funds to Tanzi family entities. Once Bonlat was incorporated, Zini, acting as agent for the Law Firm Defendants, and other lawyers at those firms, prepared contracts that would adjust balance sheets of other corporations in the Group

while permitting the diversion of funds to Tanzi-held entities outside of the Parmalat Group, including Web Holdings, Western Alps Foundation and Boston Holdings.

889. As Tonna stated in his January 7, 2004 interrogation, improper diversions of Parmalat funds were “justified as transfers to Zini for Bonlat. . . . Zini was perfectly aware that part of the transactions done on his escrow accounts in London and New York involved diversions of cash funds from the Parmalat Group, usually to the Tanzi family.” Tonna stated in his January 20, 2004 interrogation that “Zini devised . . . the financial operations that diverted funds to Tanzi.”

E. The Role of Zini and The Law Firm Defendants in Diverting Funds for Executive Bonuses

890. Zini and the Law Firm Defendants worked to ensure that the fraud would not be revealed. Zini and/or the Law Firm Defendants received fraudulent transfers from Parmalat Capital Finance’s Bank of America account totaling over \$4.5 million in 2003 alone. Zini, acting as agent for and on behalf of the Law Firm Defendants, then transferred the money he received to various Parmalat executives. Those payments were bribes paid by Zini to Parmalat employees to buy their silence and/or complicity so that Tanzi could continue to embezzle funds from the Company. For example, Tonna revealed in his January 7, 2004 interrogation that Zini’s account was used for money laundering and “moving the funds misappropriated [from Parmalat] for the Tanzi family as well as [for] bonuses intended for me [Tonna].” Tonna continued, “Zini was perfectly aware that part of the transactions done on his escrow accounts in London and New York involved diversions of cash funds from Parmalat Group, usually to the Tanzi family. Zini also knew where the money that paid my bonus came from.”

891. Zini along with the Law Firm Defendants have been greatly rewarded for their efforts. An investigation by PwC has revealed that Zini and/or the Law Firm Defendants

received 300 million euros from the proceeds of bond sales. PwC stated in its report that Coloniare paid Pavia 0.2 million euros in 1999 for services related financing transactions, and paid Zini 0.1 million euros for legal services. Between January 2002 and September 2003 alone, Zini and/or the Law Firm Defendants were paid \$30 million, in part for their work on Parmatour and partly as payment for consulting provided to other parts of the tourism business. Zini & Associates received 0.6 million euros each year for work provided to Parmatour alone, and for services provided to Parmalat S.p.A., Zini & Associates received 643,000 euros in 2002 and 858,000 euros in 2003. In 2002, over 50% of all of Parmalat S.p.A.'s legal fees were paid to Zini & Associates. Tonna told authorities that in 2003, Zini was paid 1.7 million euros for his role in aiding Tanzi's theft of funds from Parmalat. In addition, Tonna testified that Zini and/or his law firms received compensation of \$3-\$4 million annually.

892. Zini was arrested and indicted for his role in the fraud on December 31, 2003 and his assets were seized pursuant to an order by the court in Parma.

893. Prior to Zini's arrest, Zini directed a massive destruction of Parmalat documents that would otherwise have revealed the extent to which the Individual Defendants, the Auditor Defendants and the Bank Defendants defrauded investors. In particular, Zini ordered his employees to shred documents and erase electronically stored data to destroy any evidence of his role in the fraud.

X. THE INDIVIDUAL DEFENDANTS' PARTICIPATION IN THE FRAUDULENT SCHEME AND SCIENTER

A. Tanzi

894. After his arrest on December 27, 2003, in a moment of candor, Tanzi, Parmalat's former CEO, chairman of the Board and member of the Board's Executive Committee, admitted "I recognize my mistakes. I know I broke the law." Tanzi admitted to diverting more than €800

million from Parmalat to his family and family-owned entities. In an interrogation taken shortly after Tanzi was arrested, he told the investigator, “yes, yes, it was fraudulent, put down fraudulent.” In fact, prosecutors believe the figure that Tanzi stole from the Company for his personal benefit to be as high as €1.5 billion.

895. As set forth below, Tanzi was able to loot the Company because he recruited Board members who were his family and friends, knowing they would deliberately ignore or recklessly disregard his fraudulent activities. At the same time, he enlisted Parmalat employees to help him pilfer Company funds and improperly record the distributions as “stamps account” or “loans” on the books.

896. As early as 1995, in an effort to avoid accruing debt on Parmalat’s books for corporate funds that had been surreptitiously “loaned” to the Tanzi family, Tanzi authorized the formation of “shell” corporations in the Virgin Islands and Netherlands Antilles. To replace the cash that had been diverted, Parmalat issued bonds to investors to infuse more cash in the Company.

897. Tanzi also approved the creation of the fictitious Epicurum fund which was invented as another mechanism to hide the Company’s growing losses and ongoing fraud. Tanzi knew that Epicurum’s assets were generated by fake and falsified banking documents which purported to document credits from investments purportedly made to various Parmalat entities so that the entities could report profitable results. As Tanzi knew, the investments were never made, and the resulting assets in Epicurum were phony.

898. Tanzi also admitted that Parmalat misrepresented the actual interest rate that the Company was paying for the Nextra bonds, so that investors would not discover that the interest rate the Company was paying was at a level accorded to companies with financial problems and

low credit ratings. In fact, Tanzi directed Parmalat to buy back from Nextra the €300 million bonds so that Nextra would not reveal that Parmalat and the Individual Defendants had misrepresented the interest rate to the market.

899. Tonna even confronted Tanzi about the improper diversions of Company funds to Tanzi and his family's entities. Tonna told prosecutors that he had warned Tanzi for two years that the improper diversion of funds should stop. In his interrogation, Tanzi conceded "certainly I recognize that the balance sheet was not true."

900. Ultimately, in December 2003, in a final, desperate attempt to conceal his fraud, Tanzi attempted to sell the Company. Tanzi, along with his son, S. Tanzi, and Del Soldato met in Collecchio on December 9, 2003 with representatives of the investment banking company, Blackstone. However, that meeting abruptly ended when Tanzi revealed the true amount of debt Parmalat held but had not disclosed to the market. Thus, Tanzi's scienter could not be more clear -- he acknowledged that he had been issuing false and misleading statements throughout the Class Period.

901. Tanzi either contrived or approved every scheme set forth in paragraphs 199 through 442 to artificially inflate the price of Parmalat's securities sufficient to enable Tanzi and other defendants to divert funds to Tanzi and his family and other aspects of the fraud. Not surprisingly, Tanzi, as the largest shareholder, stood to gain the most from this scheme. In 2000, while the price of Parmalat securities was artificially inflated due to his own false statements, Tanzi profited handsomely by selling nearly 784 million Parmalat shares. In 2002, Tanzi sold another 2 million shares of stock and again was rewarded for lying to investors.

902. Based on his admission that he defrauded investors as well as interviews with other executives and internal accountants who were involved in the fraud, on May 26, 2004,

Tanzi was charged with fraudulent accounting and financial reporting, market rigging, obstructing a market regulator and conspiring to issue false information to investors. A court in Parma ordered the seizure of Tanzi's assets on June 21, 2004.

B. Tonna

903. Tonna, Parmalat's CFO for most of the Class Period, has admitted to being at the core of the fraudulent and criminal conduct at Parmalat, telling investigators, "let me underscore that I was the one who studied and created the illicit and fraudulent technical devices that we used to conceal the situation." Moreover, Tonna acknowledged the repercussions of his actions, stating "certainly, all of my work has caused the sacrificing of the minority stockholders and bondholders, because it's doubtful that the stock will hold its value over time with these activities that I define as fraudulent."

904. Tonna also has confirmed that he personally benefited from his role in cooking Parmalat's books. As a result of these admissions and the testimony of others, Tonna was arrested on December 31, 2003, and on May 26, 2004, charged with market rigging, fraudulent accounting and financial reporting, obstructing a market regulator and conspiring to issue false information to investors. Tonna's assets were seized as of June 21, 2004 by order of the court in Parma.

905. Tonna described to Italian authorities his role in creating special purpose entities and other fraudulent schemes to hide the fact that Tanzi was embezzling funds from Parmalat. Tonna admitted in his interrogation that each quarter Parmalat's debt would be calculated so that he, Tanzi and others could best determine how to conceal the losses. If an entity had recorded additional losses, fake transactions were devised so that fictitious credits could be added to the balance sheet, and so Parmalat always appeared profitable. According to Parmalat accountant Pessina, Tonna then directed Bocchi to fabricate credit transfers between companies in the

Parmalat Group so that the debt would disappear from Parmalat's books and be transferred to Bonlat.

906. Tonna admitted that he participated in "inventing" Bonlat from "top to bottom" so that Parmalat's stock value would be sustained, the Company could attract repeated capital infusions from the bond market, and to hide Tanzi's massive diversion of funds. Indeed, Tonna acknowledged signing contracts for Bonlat and forging signatures for unwitting contracting parties to further these goals.

907. Included in the phony documents signed by Tonna on behalf of Bonlat and other Parmalat entities are those documents relating to the fictitious powdered milk "sales" to Cuba. As Bocchi revealed in his December 22, 2003 interrogation by Italian authorities, Tonna was the mastermind behind this scheme. Tonna executed both sides of the agreement -- the sale by Parmalat-related company Camfield and the purchase by Empresa, although Tonna had no authority to act on behalf of the Cuban company.

908. Another scheme that Tonna orchestrated was recycling "stale" invoices. Stale invoices already had been paid, but were re-submitted to banks to obtain cash for these purported receivables that were actually non-existent. According to Pessina, who was responsible for falsifying the invoices, Tonna renegotiated this contract with BNL to ensure that financing would be available to Parmalat. Pessina explained that BNL understood from Tonna that the invoices were stale, but nevertheless required the documentation to justify providing funds to Parmalat.

909. Tonna also oversaw the illegal transfer of Parmalat funds to Tanzi-family companies, Coloniale and Sata. In his interrogation, Tonna explained that Parmalat Finance Corporation had sufficient cash from bond issues to transfer 100 billion Lire to Sata and Coloniale. Indeed, in some cases where Parmalat secretly "loaned" money to Tanzi entities, the

money first went to accounts held by Tonna and subsequently, Tonna would have the funds transferred to Tanzi.

910. Tonna also acknowledged devising the Epicurum fund and scheme. Like Bonlat, Epicurum was a pure invention created to hide “credits” or payments to the Tanzi family that never would be reimbursed. Tonna devised the ruse that such credits were being invested in travel industry securities.

911. Finally, Tonna directly participated in the manipulation of Parmalat’s financial statements by booking fictitious sales and credits from intellectual property transactions. Tonna helped set the price of a trademark held by a Parmalat entity for five times its actual value to be sold to one of Parmalat’s shell companies. Ultimately, the fictitious transfer of improperly overvalued trademarks enabled Parmalat to inflate its revenues by at least \$430 million over the Class Period.

912. For his participation in these fraudulent schemes, Tonna was greatly rewarded. Tonna informed Italian authorities that in 2003, he, Tanzi and Zini agreed to divert funds through American fiduciary deposits. Tonna wanted to receive €3 million in bonuses he had accrued over the prior 5 years for his services at Parmalat, though he knew the Company was hemorrhaging and so the payment was in jeopardy. Through a series of complicated transfers, Tonna received his payoff. The payment began with a re-transfer of a rebate from Tetra-Pak. These funds were treated as a no-interest loan to be distributed to Third Millennium (an entity controlled by Epicurum) from Parmalat Capital Finance via a New Jersey escrow account in Zini’s name. Subsequently, the credit assignment for the “loan” was transferred to Bonlat and then to Epicurum. Meanwhile, the funds were transferred from Third Millennium to Tonna’s

company, RTM winery, which ultimately enabled Tonna to purchase a farm in Tuscany with the funds.

C. Del Soldato

913. Del Soldato held positions as Parmalat's Chief Accounting Officer and Chief Financial Officer during the Class Period until his resignation on December 8, 2003. Del Soldato was intimately familiar with the accounting schemes created by Tonna and approved by Tanzi. Indeed, Del Soldato played an integral role in the improper transactions and accounting which deceived the market about the true state of Parmalat's finances. On May 26, 2004, Del Soldato was charged with market rigging, fraudulent accounting and financial reporting, obstructing a market regulator and conspiring to issue false information to investors.

914. Del Soldato was involved in the "sale" of powdered milk to Cuba. He fraudulently signed fictitious contracts on behalf of Parmalat entity Camfield and the Cuban company, knowing that he had no authority to contractually bind either corporation and knowing that no milk products would be delivered to Cuba. Del Soldato acknowledged in his interrogation that the transactions were all false because Camfield was merely "an empty box."

915. Del Soldato also knew that Bonlat was used to carry out fictitious transactions and record non-existent credits. As Bocchi stated to investigators, Del Soldato advised Bocchi and Zini in November 2003 that none of the bonds that Bonlat supposedly held actually existed. Moreover, Tonna testified in his January 6, 2004 interrogation that he and Del Soldato both used Bonlat to "purchase" overpriced trademarks in 2003 to create liquidity for the Parmalat entity that was supposedly selling the trademarks.

916. Del Soldato acknowledged that he received from Tonna (before Tonna resigned) an explanation of the role of the Bonlat "garbage bin" and how to continue making phony entries on Bonlat's books. As a result, once Tonna resigned, it was Del Soldato who directed Bocchi to

prepare false bank statements from Bank of America and other wholly fictitious documents to create the illusion of legitimate commercial transactions. These documents were created in Parmalat's Collecchio offices through the use of Parmalat's computers. When Del Soldato asked Tanzi whether he should continue to forge contracts executed with Bonlat, Tanzi confirmed that the practice should continue, and Del Soldato obliged.

917. Del Soldato also was well aware of the improper purpose of the Epicurum fund. As Bocchi reported to investigators in July and August 2003, Del Soldato wrote checks from Parmalat Finance Corporation to various entities and then assigned the credits to Bonlat and later, Epicurum, even though he knew that the credits would never be repaid.

918. Del Soldato repeatedly told Bocchi not to worry about falsifying accounts because anyone who might find out about the scheme already had been paid off. Del Soldato himself received such "hush" money. Italian authorities seized \$2.5 million from a Monte Carlo bank account under Del Soldato's pseudonym, "Fabrizio Rust." On June 21, 2004, Del Soldato's assets were seized pursuant to an order from the court in Parma.

919. Del Soldato's scienter is also evidenced by his own admissions that he destroyed accounting records, and directed his colleagues at Parmalat to do the same. According to Del Soldato's testimony on December 22, 2003, Tonna first destroyed Bonlat's accounting books and then Del Soldato destroyed fictitious logos, bank statements and related data that were used to evidence commercial transactions. Del Soldato also admitted to personally ordering Bocchi to delete the memory of his computer to keep investigators from uncovering fraudulent materials used to show assets in Bonlat's accounts. Likewise, Pessina testified that Del Soldato instructed Pessina to take his laptop home and destroy it with a hammer to get rid of incriminating evidence.

920. Del Soldato told investigators that he advised Tonna and Tanzi that he would be destroying the Company's computer files and they agreed that he was taking the proper course of action. Del Soldato also stated that Bocchi had been contacted by Tonna and Zini and directed to destroy documents related to Bonlat.

D. G. Tanzi

921. At all relevant times during the Class Period, G. Tanzi was in a position to know – and did know – that funds were being embezzled from Parmalat. Not only did G. Tanzi serve on the Board of Directors, he was a member of Parmalat's Executive Committee. In these capacities, G. Tanzi was privy to the financial and economic status of Parmalat entities each time he participated in budget meetings, which occurred frequently throughout the Class Period.

922. Importantly, as Tanzi's brother, G. Tanzi was a primary beneficiary of the funds that Tanzi embezzled. According to Tonna, reserves from Tetra-Pak were held by Carital Food and distributed to 3 members of the Tanzi family, including G. Tanzi, in proportion to their shares of Coloniale. Tonna testified that G. Tanzi asked that his share of the funds be transferred to an account in New York in the name of G. Tanzi's son, Giuseppe Tanzi.

923. Additionally, the SEC stopped transactions, scheduled to be completed on January 12, 2004, that included payments to G. Tanzi of \$1 million euros (to a Citibank Milan branch), a \$50,000 transfer to a Citibank account in New York, and the cashing of checks in the amount of 650,000 euros each, all such transfers being improperly backed by Parmalat funds diverted to G. Tanzi.

924. G. Tanzi was indicted by prosecutors in Milan on May 26, 2004 for fraudulent accounting and financial reporting, market rigging, obstructing a market regulator and conspiring to issue false information to investors. On June 21, 2004, the Parma court ordered the seizure of G. Tanzi's assets.

E. S. Tanzi

925. As a Director, S. Tanzi knew of the true financial condition of all Parmalat entities. In addition, S. Tanzi participated in meetings attended held for the purpose of improperly adjusting the balance sheets of Parmalat entities.

926. Del Soldato told investigators in his December 22, 2003 deposition that he met with S. Tanzi in S. Tanzi's Collecchio, Italy office in August or September 2003 where he explained to S. Tanzi the purpose of Bonlat and that Bonlat's assets did not exist at that time. S. Tanzi responded that he already knew about Bonlat and its purpose of concealing enormous debts from the Parmalat Group's books.

927. Moreover, S. Tanzi clearly knew of Parmalat's dire financial situation when he accompanied his father and Del Soldato to Collecchio on December 9, 2003 to meet with Blackstone about selling the Company.

928. S. Tanzi was a direct recipient of fraudulent diversions of Parmalat funds. As Tonna stated in his January 7, 2004 interrogation to prosecutors in Parma, "€7,996,500 . . . was deposited by Parmalat Capital Finance of Malta through its account at Bank of America, New Jersey to the Escrow Zini at Citibank London. Zini had subsequently provided for the transferring of 50% of that sum to me and 50% to Stefano Tanzi."

929. S. Tanzi's knowledge of the fraud and the false and misleading information that Parmalat and other defendants disseminated to the market is also demonstrated by his sale of all 45,000 shares of Parmalat stock that he had held since the beginning of the Class Period while the price of Parmalat securities were still inflated by the fraud.

930. In February 2004, S. Tanzi was arrested and was indicted on May 26, 2004 for market rigging, fraudulent accounting and financial reporting, obstructing a market regulator and

conspiring to issue false information to investors. On June 21, 2004, a Parma court ordered the seizure of S. Tanzi's assets.

F. Ferraris

931. Ferraris, Parmalat's CFO from March until October 2002, knew of the fraud occurring at Parmalat because he received briefings on all of Parmalat's entities throughout the Class Period. Additionally, Ferraris admitted to Italian authorities that he was aware that Parmalat's debt was actually €13.5 billion rather than the mere €6.5 billion publicly reported by the Company. He explained to authorities that the books were already "cooked" in September 2003, and acknowledged his role was to "reheat" the books. In his interrogation, Tanzi admitted that Ferraris begged him to meet with banking institutions to devise a strategy that would help resuscitate Parmalat, but Tanzi refused. Additionally, it was Ferraris who arranged to buy back the Nextra bonds in November 2003, so that the interest rate paid for the bonds would not be revealed to the market.

932. Additionally, Director Ferraris sold his entire Parmalat stockholdings during the Class Period — all of his 124,000 shares of Parmalat stock by the end of 2002 — warranting the inference that he both understood the fraud taking place at Parmalat and wanted to capitalize on it. The timing of these sales is not at all surprising since he surely knew that the financial statements were being manipulated.

G. Board Of Directors

933. As alleged herein, defendants Tanzi, Tonna, S. Tanzi, Del Soldato, G. Tanzi, and Ferraris also served as a Director during the Class Period. These Board Members acted with scienter in that they knew or recklessly disregarded that materially false and misleading financial statements and other public disclosures, documents and statements were being issued or

disseminated by or on behalf of the Company to the market, Plaintiffs, and the Class, but these defendants knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements and documents as primary violations of the federal securities laws.

934. As set forth elsewhere herein in detail, these defendants, by virtue of their receipt of information reflecting the true facts regarding Parmalat, their control over, and/or receipt and/or modification of Parmalat's materially misleading statements, financial statements and/or their associations with the Company which made them privy to confidential proprietary information concerning Parmalat, were active and culpable participants in the fraudulent scheme alleged herein. These defendants knew and/or recklessly disregarded the falsity and misleading nature of the information that they caused to be disseminated to the market and to the Class.

935. Each of these defendants possessed substantial motives for misrepresenting Parmalat's financial status, operations, and prospects throughout the Class Period. The Company's ability to maintain positive credit ratings and, therefore, its ability to obtain additional financing in the future, were dependant on these defendants' fraudulent participation in the scheme. The Board of Directors were motivated to conceal the adverse facts detailed herein in order to personally benefit through their sales of Company stock at prices they knew were artificially inflated by the fraud.

936. In particular, as Tonna described in his deposition, G. Tanzi, S. Tanzi, Del Soldato and Ferraris all knew or recklessly disregarded Parmalat's financial and economic situation because they participated in regular budget meetings where results for each of the Parmalat entities was discussed.

937. For example, Francesco Viotto testified on January 7, 2004 that on September 9, 2003, board members including Tonna, Ferraris, Del Soldato, and Tanzi were informed of the accounting problems with Streglio S.p.A., a Parmalat entity.

938. On May 26, 2004, prosecutors in Milan indicted the following defendants, among others, for their role in conspiring to issue false information to investors and market rigging: Tanzi, Tonna, S. Tanzi, Del Soldato, G. Tanzi and Ferraris.

H. Board Of Statutory Auditors

939. Parmalat had several layers of oversight and internal controls that, had they worked properly, would have detected the fraud. The Company had three separate entities charged with the responsibility of overseeing the Company's accounting practices and protecting the interests of the Company and its shareholders: (i) the Board of Statutory Auditors, consisting of Brughera, Ferretti, Nuti and Martellini; (ii) the Internal Control Committee, on which Tonna served, among others; and (iii) Grant Thornton and Deloitte, the Company's external auditors.

940. Italian public companies such as Parmalat are required to have a Board of Statutory Auditors. This Board is required to oversee and monitor the participation of a company's accounting management and the independent auditors in the financial reporting process. Each member of a Board of Statutory Auditors must specialize in accounting; in fact, they must be a member of the Registro dei Revisori Contabili, which requires for membership graduation with an economics degree, practice for three years in an accounting firm, passing an accounting exam, and licensing comparable to the C.P.A. license in the U.S., among other requirements. Thus, they are well qualified to oversee the accuracy of a company's financial disclosures. In addition, they are permitted full access to a company's books as well as any transaction in which the company is involved.

941. The members of a Board of Statutory Auditors are obligated to verify that the annual financial statements of the company they serve accurately reflect the company's accounting books and records, and that the company's assets and liabilities are valued appropriately. They are required to issue an opinion on the financial statements and to communicate at the annual shareholders' meeting about their monitoring activities and to report on any material misstatements of facts in or omissions from the financial statements.

942. The duties of the Board of Statutory Auditors extend beyond oversight of accounting and financial reporting processes and audits of financial statements – the Board of Statutory Auditors is also required to supervise the management of the company, verify the company's compliance with the law and by-laws and ensure that the company's accounts are regularly maintained.

943. In addition, at least every three months, the Statutory Auditors are required to verify the amount of cash on hand, the existence of securities owned by the company or received by as pledge, security or held in custody. The Statutory Auditors are also required to meet every three months and to attend all shareholder and Board of Directors meetings. They must at least once per year visit the company's offices to review the company's accounts.

944. Each member of Parmalat's Board of Statutory Auditors had these duties and responsibilities and the attendant authority to inspect Company records and to supervise Company matters. They were allowed to attend meetings of the Parmalat Board's Executive Committee and could request information at any time from the Parmalat Directors with respect to the state of the Company's business or particular transactions.

945. Parmalat's Board of Statutory Auditors was also responsible for ensuring that the Company had internal controls in place specifically designed to deter management fraud.

Among their other roles, the Board of Statutory Auditors was obligated to anticipate financial risks and promote accurate, high quality and timely disclosure of material financial and business information to the market and to shareholders.

946. In particular, Mario Brughera, who served as Chairman of the Board of Statutory Auditors throughout the Class Period, was responsible for, among other things, countersigning a number of the Company's tax returns. He was required to communicate with the Company's chief financial officer to supervise the proper maintenance of the books and records, and to provide guidance with respect to the various legal and tax requirements concerning those accounts.

947. Parmalat's annual reports, among other publicly disseminated documents, represented that members of the Board of Statutory Auditors had reviewed the Company's financial statements and communicated with the independent accountants. Nevertheless, the Board of Statutory Auditors at best turned a blind eye to the crimson tide of red flags that should have caught their attention. These red flags included, among others, those listed in paragraph 1023 below.

948. The Board of Statutory Auditors recklessly failed to oversee the accuracy of Parmalat's financial statements and ensure that the internal controls were working effectively. The Board of Statutory Auditors was extremely reckless in failing to recognize that Parmalat's web of companies and special purpose entities in a variety of locations around the world were not being accounted for accurately. As a result, the Board of Statutory Auditors lost its independence and instead fell under the control of Company management. The Board of Statutory Auditors was entirely susceptible to ceding independence to management, particularly

where Silingardi also was a schoolmate of longtime CFO, Tonna, who has admitted to being at the core of the fraud.

949. For most of the Class Period, the Board of Statutory Auditors consisted of: Brughera, Ferretti, Nuti and Martellini. Brughera, Ferretti and Nuti have been indicted for their roles in the Parmalat scandal.

950. Tonna confirmed that the Board of Statutory Auditors abrogated its duty to Parmalat and its shareholders. Tonna testified that while he was the CFO, the Board of Statutory Auditors only conducted superficial reviews of Parmalat's balance sheets, showing reckless disregard for its role in identifying accounting discrepancies at the Company.

XI. DELOITTE'S AND GRANT THORNTON'S KNOWING PARTICIPATION IN THE FRAUDULENT SCHEME

A. Introduction And Overview

951. As set forth above, the fraud at Parmalat was widespread, and it was huge. The fraud pervaded almost every facet of the Company – from the parent company Parmalat, to numerous Parmalat operating subsidiaries, financing entities and shell companies, located in the United States, Europe, South America and offshore tax havens in the Carribean.

952. Tonna said that “there were huge critical issues” with Parmalat entities in South America, Italy and the United States that resulted in a “fraud . . . that involved the entire Group.” PwC and Chiaruttini concluded that, for the past decade or more, Parmalat understated its consolidated total debt by \$10 billion and overstated its consolidated total net assets by over \$16 billion.

953. Grant Thornton and Deloitte both knew the Company's true financial condition. Grant Thornton audited Parmalat from 1990 through 1999 when it was replaced as primary auditor by Deloitte, and Grant Thornton continued to audit Bonlat and certain of Parmalat's

subsidiaries through the end of the Class Period. As Tonna told Italian prosecutors on December 23, 2003, “Grant Thornton knew the [Parmalat] Group’s reality from the beginning. . . . I can state that the auditors knew all – or at least a lot.” Parmalat’s former executives have testified and Chiaruttini and PwC have confirmed that Deloitte had frequent meetings with Grant Thornton and Parmalat executives where aspects of the fraud were discussed, and Deloitte even obtained documents outlining the fraudulent transactions.

954. That both firms certified Parmalat’s financial statements year after year and never once alerted investors, regulators or the Company to the fraudulent scheme is not believable, and shows that the auditors deliberately participated in the fraud. If not, then their audits were so extremely reckless that they were tantamount to intentional fraud.

955. As explained above, and made clear below, the Auditor Defendants not only had actual knowledge of the fraud – they directly and actively participated in the fraud, causing investors in the United States and around the world to lose billions of dollars in their Parmalat investments.

B. The Auditor Defendants Assist Or Deliberately Ignore Parmalat’s Fraudulent Acts

1. Grant Thornton And Deloitte Both Knew About The Fraudulent Transactions Involving Bonlat And Its Predecessor Shell Companies

956. The allegations regarding the use of Bonlat and its predecessor shell companies to surreptitiously remove debt off Parmalat’s consolidated balance sheet and artificially generate revenues and inflate the Company’s assets are set forth in paragraphs 199 to 238 above.

957. Grant Thornton had full knowledge of this aspect of the fraud. Grant Thornton actually helped create the various offshore companies, including Curcastle, Zilpa and Dancent, which were used to implement this scheme. Tonna stated that Grant Thornton created these shell

entities, and then created Bonlat as a “cover” in an attempt to conceal Grant Thornton’s participation in the fraud.

958. Tonna specifically admitted meeting with Penca and Bianchi of Grant Thornton to discuss falsifying the Company’s financial statements and determine how to “solve the problem posed by the Antilles companies Curcastle and Zilpa which, up to that point, had performed the same functions that Bonlat would later perform — that is, they were used to unload the group’s losses.” Tonna said that Penca and Bianchi deemed the situation “indefensible” and explained that, if a new auditing firm discovered the improper transactions with the shell entities, the new firm “would . . . certainly refuse[] certification” of the Company’s financial statements.

959. Deloitte also knew about this aspect of the fraud. Pessina stated that Deloitte audited Curcastle and Zilpa. Bocchi stated that Deloitte’s auditors “had always been able to see and analyze the documents and accounting practices of Bonlat” and that Tonna “held meetings with Deloitte’s auditors (they definitely held quarterly and annual meetings) to verify the Bonlat documents and the Grant Thornton working papers.”

960. Additionally, as Chiaruttini stated in one of her reports, Deloitte actually “examined the working papers from Grant Thornton regarding the auditing of Bonlat, and . . . Deloitte & Touche discovered immediately how this company was being used by the Group.” Chiaruttini found a document titled “Reconstruction of the Bonlat Operations” that Deloitte prepared or received in the first months of 2000 which informed Deloitte about the fraudulent transactions involving Bonlat.

961. Although both Grant Thornton and Deloitte knew about the fraudulent transactions regarding Bonlat and its predecessor shell entities, neither of the Auditor Defendants

ever disclosed this aspect of the fraud to investors or regulators as they were required to do, or qualified their certifications of the Company's financial statements.

2. Grant Thornton and Deloitte Knew About The Fictitious Powdered Milk Sales To Cuba

962. The allegations regarding the fictitious sales of powdered milk to a corporation in Cuba are contained in paragraphs 239 to 254 herein.

963. Grant Thornton knew about this aspect of the fraud. Grant Thornton helped create and then audited Bonlat that was used to facilitate the fictitious milk sale transactions. Grant Thornton also knew the reality of operations at Camfield, as that shell company occupied Grant Thornton offices, shared Grant Thornton employees, and had the same address as Grant Thornton's Singapore affiliate.

964. Deloitte also knew about this aspect of the fraud. Bocchi stated in his interrogation that Deloitte requested from Parmalat access to the balance sheet of Camfield, and copies of documents evidencing the milk sales, such as freight and customs documents. Chiaruttini stated that Deloitte also requested similar information from Grant Thornton. In the course of her investigation, Chiaruttini discovered a series of e-mails among Deloitte's partners pertaining to Deloitte's request for information on sales of powdered milk involving Bonlat, Camfield and Dancent (another Parmalat shell company created by Grant Thornton). In these e-mails, sent a few months after Deloitte became Parmalat's main auditor, Mamoli, one of Deloitte's lead auditors for Parmalat, asked Deloitte partners in Singapore and the Virgin Islands about the roles of Camfield and Dancent in the milk sale transactions.

965. Deloitte either received the information it requested from Parmalat and Grant Thornton — which would reveal the fraud — and recklessly ignored or disregarded it, or

Deloitte recklessly failed to follow through on its requests, despite having obvious concerns about the milk sales, which totaled \$620 million in 1999 alone.

3. Grant Thornton And Deloitte Recklessly Ignored Or Failed To Investigate The Transactions With Buconero

966. The allegations regarding Parmalat's fraudulent financing transactions with Buconero are contained in paragraphs 225 through 269 herein.

967. Grant Thornton knew or recklessly failed to discover the fraudulent transactions with Buconero. Grant Thornton was the auditor for Geslat, a Parmalat subsidiary that engaged in the joint venture with Buconero designed to artificially boost Parmalat's assets. Grant Thornton either performed an audit on Geslat and discovered or recklessly disregarded the fraud, or it failed to conduct any audit at all. Such failure would be extremely reckless, as Buconero means "black hole" in Italian, a name which should have aroused suspicions, and put Grant Thornton on notice to scrutinize the nature of Geslat's transactions with Buconero.

968. Deloitte also knew or recklessly disregarded or failed to discover this aspect of the fraud. Chiaruttini concluded (based on testimony provided by Marco Verde, a Grant Thornton manager) that Deloitte "inspected" Grant Thornton's auditing work on Geslat and had "periodic meetings" with Grant Thornton personnel on Geslat. Indeed, Deloitte was required to review the audit work on Geslat in auditing Parmalat's consolidated financial statements. Bocchi further explained that Deloitte was "aware of the total monetary sum" involved in the transactions with Buconero because Deloitte "had all the documents."

969. Additionally, both Grant Thornton and Deloitte had an obligation to investigate the transactions with Buconero, not only because of its suspicious name, but also because of the material amounts involved in those transactions and their impact on Parmalat's financial statements: Parmalat paid Citibank over \$7 million in fees, and the Company recorded an

additional \$117 million in assets (though, as explained above, that accounting was improper and, as a result of this scheme, Parmalat's debt was understated by \$117 million and its equity was overstated by the same amount).

970. Despite this knowledge by Grant Thornton and Deloitte (or Deloitte's reckless disregard or reckless failure to follow through on requests for supporting documentation), neither of the Auditor Defendants made any disclosure of this aspect of the fraud to investors or regulators as they were required to do, or otherwise qualified their opinions in the Company's financial statements.

4. Grant Thornton And Deloitte Knew Or Recklessly Disregarded The Double Billing And Securitization Scheme

971. The allegations regarding the fraudulent use of double bills and improper securitization transactions are contained in paragraphs 270 to 294 herein.

972. Grant Thornton knew about this aspect of the scheme. Grant Thornton was the main auditor for Parmalat and its various subsidiaries and affiliates when this scheme began in or around 1994. Pessina stated that Grant Thornton auditors "reviewed the receivables" and "the invoices, the [delivery] notes, the credit notes" and so "[t]hey surely knew the invoice system of the concessionaires because they asked [Pessina] every year" about those transactions.

973. Deloitte knew about this aspect of the fraud because Deloitte was the auditor for Curcastle Carital and Parmalat S.p.A. which were parties to the double billing and securitization transactions. As Tonna explained, Deloitte auditors Mamoli and Rovelli "told Pessina or Del Soldato that since Carital was in Pessina's and Ugolotti's names (or maybe they were the directors) it would be inevitable to qualify such entity as a 'related party.'" Therefore, on Deloitte's advice a new entity NYTE, a Delaware corporation, was formed to replace Carital so that the true nature of these related party transactions could be hidden. Also, Deloitte had an

obligation to investigate these transactions because, as Chiaruttini concluded, the transactions did not qualify as “securitizations” under applicable accounting rules.

974. Despite having knowledge of this aspect of the fraud, neither Grant Thornton nor Deloitte ever to notify investors or regulators of the fraud as they were required to do, or otherwise qualified their opinions on Parmalat’s financial statements.

5. Deloitte Knew Or Recklessly Disregarded The Fraudulent Factoring Scheme

975. The allegations regarding the fraudulent factoring scheme are contained in paragraphs 270 to 294 herein.

976. Deloitte knew or recklessly disregarded this aspect of the fraud. Deloitte was the auditor for many Parmalat subsidiaries which (such as Contal) were involved in the factoring scheme.

977. Deloitte also served as auditor of Parmalat and therefore knew, or was extremely reckless in not knowing, the total amounts received by various Parmalat subsidiaries in the factoring transactions. As Bondi stated in the Illinois Complaint, for 2002 alone, Parmalat booked €1.42 billion as receivables from factoring, securitizations, discounts of bank receipts and trade receivables, but the Company’s entire gross revenue for the year was only €50 million. The huge difference between these figures should have put Deloitte on notice to investigate whether there was any support for the factoring transactions or whether those transactions were properly recorded. Had Deloitte investigated, it would have discovered that the multiple phony invoices used in this scheme differed by only one digit.

6. Deloitte And Grant Thornton Knew About The Improper Reclassification And Elimination Of Company Debt

978. The allegations regarding the improper reclassification and elimination of Parmalat’s debt are contained in paragraphs 310 to 320 herein.

979. Deloitte knew about the improper reclassification of debt through the use of Bonlat and Account 999 which was used to improperly eliminate Parmalat debt. Deloitte served as Parmalat's auditor and therefore was required to audit Parmalat's Account 999 because the balance in that account was material to Parmalat's financial condition. Indeed, as Bocchi stated, around the end of 2002, Account 999 showed a debt of over €8.4 billion, representing 62% of Parmalat's total assets.

980. Bocchi testified that he "explained it [Account 999] in detail to Deloitte & Touche auditors, who saw it." Deloitte met with auditors from Grant Thornton who, along with Bocchi and other Parmalat executives, discussed the inter-company debts as well as Bonlat, another vehicle used for improperly reclassifying and eliminating company debt.

981. Grant Thornton also knew about this aspect of the fraud. Bocchi testified that auditors from Deloitte and Grant Thornton met several times to discuss the adjustments in Account 999, at which meetings Bocchi and other Parmalat executives explained the nature of that account. Additionally, Grant Thornton was the auditor for, and had full knowledge of, Bonlat, an entity that was used to improperly reclassify debts to third parties.

982. Although both Deloitte and Grant Thornton knew about the nature of this material aspect of the fraud, neither auditing firm notified investors or regulators as they were required to do, or otherwise revealed this scheme or ever qualified their opinions on the Company's financial statements.

7. Deloitte and Grant Thornton Both Knew About the Fictitious Bond Repurchases

983. The allegations regarding the fictitious bond repurchases are contained in paragraphs 321 through 327 herein.

984. Grant Thornton knew that the Company and its subsidiaries had falsely reported to have repurchased various bonds issued by Parmalat and its subsidiaries. Marco Ghiringhelli of PwC concluded in his report to prosecutors in Parma that Grant Thornton's own documents reflect repurchases of bonds by Bonlat that had not occurred. Indeed, the purportedly repurchased bonds were "in the abstracts" of Bonlat's \$5 billion Bank of America account which did not exist. Since Grant Thornton was the auditor for Bonlat and there was a clear contradiction between Bonlat's records and the Company's statements and filings with Consob regarding the bonds it allegedly repurchased, Grant Thornton either knew of this scheme or was extremely reckless in not knowing of this scheme.

985. Deloitte knew about this aspect of the fraud because Deloitte was the auditor for Parmalat Capital Finance B.V., one of the entities that reportedly had its bonds repurchased by Bonlat. Deloitte either performed the audit and discovered that the bonds owned by Parmalat Capital Finance B.V. were not actually repurchased, or it recklessly failed to conduct such an audit.

986. Finally, both Grant Thornton (as auditor of Bonlat) and Deloitte (as auditor for Parmalat) had an obligation to investigate whether \$2.9 billion in bonds – an indisputably material amount – had been repurchased by Bonlat and other Parmalat subsidiaries and affiliates, as represented by the Company. Had they conducted appropriate auditing procedures, these auditors would have discovered that there was no documentation supporting the bond repurchases. However, neither of the Auditor Defendants performed such an audit, or disclosed the truth about the phony bond repurchases, or qualified their audit opinions in any way.

8. Grant Thornton and Deloitte Knew or Recklessly Disregarded Fraudulent Diversions of Parmalat Funds to Tanzi and Tanzi Family Entities

987. The allegations regarding fraudulent diversions of Parmalat funds to Tanzi and Tanzi family entities are contained in paragraphs 328 through 353 herein.

988. Grant Thornton knew about this aspect of the fraud. Grant Thornton was the auditor for many of the Tonna tourism companies who received the diversion of Parmalat funds. Tonna in his January 5, 2004 interrogation explained that Arnaldo Airoidi, a Grant Thornton auditor, was aware of the improper diversions of funds to Tanzi and Tanzi family tourism companies.

989. As Chiaruttini explained, the “money transfers in favor of individuals and entities of the Tanzi family” were booked as “credits which were created through fictitious transactions executed by Bonlat.” Grant Thornton was the auditor for Bonlat and thus knew or was reckless in not knowing of these illegal transfers.

990. Deloitte also knew about this aspect of the fraud. Deloitte was the auditor for Parmalat Finance Corporation B.V. and Parmalat S.p.A. which Tonna identified as making fraudulent transfers to Tanzi family entities. Deloitte also audited Carital which received millions of dollars in rebates from Tetra-Pak discounts that were later diverted to Tanzi family entities. Deloitte either conducted its audit of these entities that had surreptitiously paid Parmalat money to Tanzi and Tanzi family entities, or Deloitte failed to conduct such an audit. Such failure was (or would be) extremely reckless, as the Tanzi entities that received the payments were clearly “related parties” which, under any accounting standard, required scrutiny due to the clear conflicts presented by the transactions.

991. Despite this knowledge by Deloitte and Grant Thornton, or their reckless disregard of facts evidencing the fraud, neither of the Auditor Defendants caused Parmalat to accurately disclose these facts or qualified their opinions.

9. Grant Thornton and Deloitte Knew About the Fraud Involving Epicurum

992. The allegations regarding the fraudulent transactions involving the Epicurum fund are contained in paragraphs 354 through 367 herein.

993. Grant Thornton knew about this aspect of the fraud. It was Grant Thornton who proposed that Bonlat (which Grant Thornton audited) be closed down and replaced with Epicurum in an attempt to keep concealed the improper accounting and transactions involving Bonlat. In fact, Epicurum was reported to have been funded by \$529 million from Bonlat, though, as Grant Thornton knew, Bonlat had no such assets to contribute. Thus, Grant Thornton had to have known that Epicurum was a fraud.

994. Deloitte also knew, or was extremely reckless in not knowing, about this aspect of the fraud. Deloitte noted in its October 31, 2003 review letter with respect to an audit of the June 30, 2003 half-year report that it could not value a contract between Parmalat and an “overseas mutual investment fund” – or Epicurum – even though, as Deloitte noted, Parmalat owned €77.7 million in equity in that fund. This was clearly a significant asset and thus required scrutiny by Deloitte. Additionally, Deloitte knew or should have known that Consob had asked Parmalat’s Board of Statutory Auditors for an explanation of Epicurum.

995. Finally, Deloitte was required to conduct due diligence of Epicurum because the total amount earned by that fund was material to Parmalat. Parmalat stated in a November 16, 2003 conference call that it had earned \$152.5 million in the first half of the year, or 97% of Parmalat’s net profit, in a single transaction with Epicurum.

996. Thus, Grant Thornton knew, and Deloitte knew or should have known about this fraud, but neither Auditor Defendant disclosed any facts regarding this fraud to investors or regulators as they were requested to do, or qualified their audit opinions.

10. Grant Thornton and Deloitte Knew or Recklessly Failed to Discover That Parmalat Improperly Classified its Debt as Equity

997. The allegations regarding Parmalat's improper classification of debt as equity are contained in paragraphs 368 through 385 herein.

998. Grant Thornton and Deloitte knew or should have known about this aspect of the fraud. At the time of Citibank's investment in Parmalat Canada, Grant Thornton was the auditor of Parmalat and later, Deloitte was the auditor for Parmalat Canada. In these capacities, the Auditor Defendants knew or should have known that Citibank's purported equity investment was contingent on a put agreement rendering the transaction a loan or financing arrangement. However, neither of the Auditor Defendants ever disclosed this fact or otherwise qualified any of their audit opinions on the Company's financial statements.

11. Deloitte Knew, Recklessly Disregarded or Recklessly Failed to Discover the Company's Fraudulent Accounting of Goodwill

999. The allegations regarding Parmalat's manipulation and recording of goodwill are contained in paragraphs 386 through 395 herein.

1000. Deloitte knew, recklessly disregarded or recklessly failed to discover this aspect of the fraud. Mike Power, an auditor in Deloitte's New Jersey office, raised concerns about Parmalat's overvaluation of goodwill in connection with the review and certification for fiscal year 2002, and Bigogno (of Deloitte Milan) raised this issue with Del Soldato, Mamoli, Rovelli and others in 2003, but Deloitte conducted no further investigation in response to those concerns. Had Deloitte conducted any investigation of Parmalat's accounting for goodwill, it would have

discovered (as Chiaruttini concluded) that “the recorded value of goodwill is not supported by any corroboration.” However, Deloitte never conducted any investigation, raised its concerns (or had Parmalat raise such concerns) about goodwill to investors, or qualified its audit based on this issue.

12. Deloitte Knew About the Improper Overvaluation of Parmalat’s Brazilian Affiliate

1001. The allegations regarding Parmalat’s improper overvaluation of Parmalat Administracao are contained in paragraphs 394 through 405 herein.

1002. Deloitte knew about this aspect of the fraud. Deloitte’s own consulting arm had prepared a valuation of Parmalat Administracao seventeen months prior to the December 1999 announcement of the purported equity investment made by North American investors. Deloitte was the auditor of Parmalat, and Deloitte’s Brazilian affiliate at that time was the auditor of Parmalat Administracao and other Brazilian affiliates of Parmalat. Deloitte thus knew that Parmalat based its \$1.35 billion valuation of Parmalat Administracao (as announced in the Parmalat press) on the valuation that Deloitte’s Brazilian arm had made seventeen months earlier. Deloitte also knew about the devaluation of Brazil’s currency, the worldwide market depression, and that Parmalat Administracao had been incurring substantial losses, additional facts that showed that Deloitte’s valuation was obsolete and false. Deloitte was obligated to question Parmalat’s valuation of Parmalat Administracao and the Company’s representations of that value, especially since the Company’s stock value rose dramatically following the announcement of this deal.

13. Deloitte Knew or Recklessly Failed to Discover the Fraudulent Failure to Properly Account for Parmalat's Issuance of Bonds to a Brazilian Affiliate

1003. The allegations regarding the Company's fraud involving the issuance of bonds through a Brazilian affiliate are contained in paragraphs 406 through 418 herein.

1004. Deloitte knew or recklessly failed to discover this aspect of the fraud. Michael Morrell, a Deloitte auditor in Brazil, specifically raised concerns about how to treat the proceeds of bonds issued in January 2002 by Parmalat Participações.

1005. Earlier, Deloitte's Wanderley Olivetti, auditor in its Brazilian office, complained to Mamoli of Deloitte (Italy) about a lack of documentation received in response to requests made in his audit of Parmalat's Brazilian operations, as well as a lack of cooperation from Parmalat Participações.

1006. Beginning in the early part of 2001, Wanderley Olivetti, the partner-in-charge of the Brazilian audit, told Mamoli about a series of significant problems that had emerged in the course of performing the 2000 audit. Olivetti stated he would be unable to issue a set of clean financial statements for Parmalat Participações because of "significant amounts receivable from Bonlat and Wishaw, in the amount of approximately \$460 million" which Olivetti did not believe would be paid. Because Parmalat Participações was a consolidated subsidiary, this problem prevented Deloitte from certifying the Parmalat Group's financial statements.

1007. To remedy the problem and avoid having Olivetti qualify the audit of the financial statements of Parmalat Participações, Deloitte Italy represented to Olivetti on May 18, 2001, that: "As the referring office, Deloitte Milan is the auditor of the Parent company of the Parmalat Group, and we confirm that Bonlat Finance Corporation and Wishaw Trading were included in the consolidated financial statements of Parmalat Group and included in the payables to Parmalat Participações do Brasil Ltda. Based on the auditing of the consolidated financial statements we

were not aware of any information that would make us believe that such related parties did not have the ability to repay Parmalat Participações.”

1008. Deloitte had no basis for making this representation. Had Deloitte properly reviewed at the books and/or transactions involving Wishaw Trading, it would have learned it was a financial shell with no earnings-generating activity to help amass the funds needed to repay its debts. Moreover, Deloitte already knew about Bonlat.

1009. Olivetti later voiced concerns regarding Parmalat’s lack of documentation for various material transactions.

1010. On April 5, 2002, Mamoli sent an internal note to Jim Copeland in New York, the CEO of both Deloitte USA and the global Deloitte organization, expressing concern that Parmalat’s management might take the Company’s “multimillion-dollar world-wide engagement” away from Deloitte as a result of Olivetti’s inquiries, and asked Copeland to intervene to settle the situation.

1011. Olivetti then sent Mamoli an e-mail in May 2002 agreeing that Deloitte Brazil would not issue a qualified opinion on the financial statements of Parmalat Participações. Instead, Olivetti said he would include an “emphasis note” to the auditors’ opinion stating that the intercompany transactions at issue could have resulted in a different outcome if undertaken with companies not associated with the Parmalat group. An “emphasis note” would not require an auditor’s exception or qualification and no mention of these issues appeared in the consolidated financial statements.

1012. Even though Deloitte-Brazil was still discussing these issues in May, nearly a month earlier, on April 11, 2002, Deloitte had already certified Parmalat's fiscal year 2001 consolidated financial statements. Deloitte's certification contained no exceptions,

qualifications, comments or explanations for any of the irregularities and anomalies that Olivetti had raised with Mamoli and Copeland, nor an indication that Deloitte had not received the audit report from Brazil.

1013. In 2003, Olivetti told Mamoli that Parmalat's CFO, Tonna, had decided to prepare the December 31, 2002 financial statements to allow Parmalat Participações to transfer \$187 million of inter-company debt to Bonlat by means of fraudulent accounting entries entered after the fact. When Olivetti threatened once again to refuse to sign off on Parmalat Participações' financials, which in turn would have made it difficult for the other Deloitte member firms to sign off on Parmalat's overall consolidated financial statements, the global Deloitte organization, headed in the United States by Jim Copeland, "removed" Olivetti from any further role in auditing Parmalat's Brazilian operations.

1014. Deloitte never raised its concerns to investors or regulators as it was required to do, or otherwise qualified its audit opinion on Parmalat's financial statements.

14. Deloitte Knew or Should Have Discovered the Fraud Regarding the Sale of Bonds to Nextra

1015. The allegations regarding the misrepresentations in the sale of bonds to Nextra are contained in paragraphs 419 through 433 herein.

1016. Deloitte knew that Parmalat misrepresented the terms of the bond offering. Deloitte was auditor of Parmalat, which guaranteed repayment of the notes, and auditor for Parmalat Finance Corporation B.V., which, along with Parmalat, agreed to maintain certain interest ratios. Deloitte had an obligation to determine the terms of the note offering since it had a material impact on Parmalat's financial statements — it was a \$300 million offering. However, Deloitte never alerted (or had Parmalat alert) investors to the true terms of the bond

offering, nor did Deloitte qualify any of its audit opinions based on questions regarding the Nextra bond offering and repurchase.

15. Grant Thornton and Deloitte Knew About the Fictitious Sales of Trademarks and Other Intellectual Property

1017. The allegations regarding the Company's booking of fictitious sales of trademarks and other intellectual property are contained in paragraphs 434 through 442 herein.

1018. Grant Thornton knew about this aspect of the fraud. Bonlat, Grant Thornton's audit client, was a critical participant to this aspect of the fraud. As Bondi explained, Bonlat was used as a conduit to book fictitious sales of millions of dollars of trademarks and other intellectual property to companies such as Findairy Corporation.

1019. Not only was Grant Thornton aware of the aspect of the fraud in general, it had specific knowledge of certain phony sales. For example, according to Bocchi, "Grant Thornton was aware of the transaction between Bonlat and another company for the disposal of the Santal trademark." In fact, according to Bocchi, Grant Thornton proposed the agreement for the "disposal" of the Santal brand "in favor of Parmalat."

1020. Deloitte also knew, or recklessly failed to discover, this aspect of the fraud. Bocchi stated that he believed that Deloitte raised the issue of the fictitious trademark agreements. Tonna stated that some of the phony transfers were made to Curcastle and Zilpa, which are two entities audited by Deloitte.

1021. Thus Grant Thornton knew, and Deloitte knew or recklessly failed to discover, this aspect of the fraud, but neither Auditor Defendant qualified any of their opinions based on the issue relating to transactions involving intellectual property.

C. Additional Indicators of the Auditor Defendants’ Scienter

1. Deloitte Identifies but Ignores “Red Flags”

1022. Although financial reporting requirements may vary from country to country, basic audit principles are transcendent. These fundamental auditing principles require that:

- (a) financial statements should reflect the true financial condition of the company;
- (b) the financial statements should be informative and complete;
- (c) the financial statements should not mischaracterize an item or omit any information if that would result in a misleading statement;
- (d) related-party transactions should be disclosed and subjected to scrutiny because the terms cannot be assumed to be the result of arms-length dealings; and
- (e) in performing an audit, the auditor must obtain sufficient information to support a reasonable basis for an opinion regarding the truth, accuracy and integrity of the financial statements.

1023. Chiaruttini concluded based on her review of Deloitte’s workpapers that, in planning its audit for 1999, Deloitte had already identified numerous “red flags” to consider when it began its audit. Chiaruttini described these red flags in her report as follows:

- No appropriations for deferred taxes. If said appropriations were charged to the operating year 1999, wrote Deloitte, “their effect would be devastating”;
- Amortization of trademarks and goodwill that took place over longer periods of time than contemplated under applicable accounting rules.
- The use of intra-Group contributions (often from Bonlat) to cover the losses of various subsidiaries;
- The existence of derivatives supposedly designed to cover currency exchange risks;

- The existence of preference shares, entered as Net Assets, in the ledger for Parmalat Capital Finance;
- Incorrect depreciation schedules used for material assets;
- The lack of clarity in the entry “Consolidated Reserves” in the Net Assets column;
- The lack of detail explaining the reconciliation between Net Assets and Consolidated Net Assets;
- The lack of exact reconciliations between intra-Group credits and debits;
- The failure to delete the value of sold assets in the Parmalat S.p.A.-to-Parmalat Finanziaria consolidation process;
- The ongoing and significant losses posted by certain subsidiaries, specifically losses incurred from operations in Argentina, Brazil, Canada, Portugal, Uruguay, and Venezuela;
- Difficulty getting information from Parmalat’s management, and in particular Tonna, Del Soldato and Bocchi;
- The scant number of controls exerted by Grant Thornton over the consolidation process for the financial statements ending December 31, 1998;
- Unexplained entries in a revolving account between the Parmalat S.p.A. and Dalmata (totaling 43 billion Italian Lire) for the purpose of improving Dalmata’s bottom line;
- The manual insertion of data in the individual intra-Group balance sheets during the consolidation process so that the insertions evaded the software’s automatic controls; and
- The “Bonlat” problem.

1024. Deloitte’s almost immediate identification of these critical audit areas shows that these problems were well known not only by Deloitte’s field auditors, but also by the two partners who had the final responsibility to certify the audits, Mamoli and Rovelli.

1025. Ultimately, Mamoli, Rovelli, and other Deloitte personnel caused Deloitte to certify without qualification the Group’s annual financial statements throughout the Class Period despite clear knowledge of the widespread financial problems represented by these “red flags.”

2. The Auditor Defendants Were Extremely Reckless in Failing to Question a \$7 Billion Loan

1026. Parmalat Capital Finance (“Capital Finance”) was originally incorporated in the Cayman Islands in October 1997. It opened a branch in Malta on April 1, 2002, and Deloitte became Capital Finance’s auditor. Deloitte was intimately involved in the creation of Capital Finance Malta and had proposed the move from the Cayman Islands to Malta. Capital Finance’s registered address in Malta is Deloitte’s office in the small coastal town of Sliema.

1027. From 2001 to 2002, Capital Finance’s reported profit jumped more than eightfold to \$28.4 million, due almost entirely to the interest and fees earned on a purported \$7 billion “loan” to Bonlat. The \$28.4 million profit represented roughly 10% of the Parmalat Group’s entire profit for 2002 and clearly should have drawn the scrutiny of Deloitte auditors, whether in the United States, Malta, Italy or elsewhere, who audited the Company’s consolidated accounts.

1028. The \$7 billion represented by the loan equaled almost 70% of Parmalat’s reported consolidated assets of \$10.78 billion in 2002. As the auditor for both Parmalat and Capital Finance, Deloitte was required under any auditing standards to understand and confirm that Capital Finance had sufficient liquidity to loan the \$7 billion, and that this amount was actually provided to Bonlat. Deloitte did nothing to confirm that these material amounts were: (a) available to be loaned by Capital Finance; (b) actually paid to Bonlat and (c) that Bonlat was sufficiently credit worth such that Capital Finance could reasonably expect to be repaid.

1029. Because Grant Thornton had set up and was the auditor for Bonlat, it knew that no \$7 billion loan had been made.

1030. The \$28.4 million “profit” from the \$7 billion loan was not the only unusual item on Capital Finance’s financial statements for 2002 regarding the “loan.”

1031. Edward Camilleri of Deloitte's Malta office qualified the loan audit because Capital Finance's financial statements lacked historical cash flow figures. Historical cash flow figures could have helped explain how Capital Finance booked \$7 billion in supposed loan receivables from Bonlat in 2000, but reported only \$2 billion in 2001, before jumping back up to \$7 billion in 2002.

1032. The \$5 billion difference in the loan amounts between 2001 and 2002 roughly corresponds to the amount that Bonlat claimed to have in a Bank of America account. Anyone concerned with understanding Parmalat's financial condition would want to know how, when and to whom \$5 billion in liquid assets were transferred. Neither Deloitte nor Grant Thornton expressed any concern, demonstrating their intent to participate in the fraud or their extreme recklessness.

3. Deloitte Repeatedly Bows to Parmalat's Demands

1033. Chiaruttini found a number of instances where Deloitte's regional auditors for various Parmalat subsidiaries, especially in South America, raised "red flags" with Deloitte's auditors in Italy and the United States. Yet when these auditors attempted to bring these issues to the attention of more senior personnel within Deloitte or directly with Parmalat, they were invariably – and summarily – silenced. Top executives of Deloitte, including its officers in the United States, such as CEO James Copeland, confronted the auditors who had detected the fraud, and told them to keep quiet so that Deloitte could retain its multi-million dollar client.

1034. As explained above, Copeland successfully silenced Deloitte auditors who raised questions regarding their audits of Parmalat's Brazilian affiliates.

1035. Similar to the issues in Brazil, as early as 2000, problems arose between Deloitte's regional auditor in Argentina and Deloitte's Italian office and Parmalat.

1036. In fact, Tonna sent a letter to Mamoli in June 2000, effectively revoking Deloitte's auditing contract in Argentina, following a request from the local Deloitte partners that Tonna had termed "offensive and ridiculous" – but which undoubtedly raised legitimate questions about Parmalat's accounting.

1037. Mamoli responded on June 15, 2000, expressing his hope that going forward there would be better cooperation and coordination between the Deloitte teams in Argentina and Italy to avoid offending Parmalat.

1038. In the days thereafter, Mamoli requested additional specifics on the dispute that had arisen between the Argentina office and Parmalat, and which had resulted in Deloitte's termination. During those communications, Esteban reaffirmed his position that Parmalat needed to undertake certain steps in order to satisfy concerns raised by its financial statements.

1039. After a meeting with Tonna and Parmalat's Board of Statutory Auditors, but without addressing the issues Esteban had raised with respect to Argentina's audit, Mamoli informed Esteban that the Argentina issue had been resolved satisfactorily for both Deloitte and Parmalat's management.

1040. Parmalat rewarded Deloitte for its participating in the fraud. Andrea Petrucci, a high level officer with Parmalat, stated that Tonna vehemently argued for retaining Deloitte as Parmalat's auditors in 2002 even though auditing rival KPMG had submitted a bid for audit services that was €200,000 less.

4. Deloitte and Grant Thornton Fail to Question Parmalat's Derivative Accounting Practices

1041. Deloitte and Grant Thornton failed to investigate a series of complex swap transactions used to boost Parmalat's financial condition.

1042. An October 25, 2000 swap agreement between Bonlat and Sumitomo Bank Financial Services Inc. for 90 billion Japanese yen (roughly \$900 million) was set to expire on December 30, 2005, but it was terminated after only two months, and Bonlat recognized an immediate profit of \$147.8 million. Neither Deloitte nor Grant Thornton ever investigated the swap transaction, made any notes in its certification regarding this transaction, although (as Bocchi said) this swap was phony; Deloitte received a copy of the swap agreement; the swap involved an advance \$147.8 million payment for a five-year swap, which was terminated after only two months; there were different Sumitomo signatures on the opening and closing contracts executed two months apart; and the Sumitomo subsidiary that entered into the transaction was a Cayman Islands company.

1043. Deloitte and Grant Thornton also failed to conduct any due diligence regarding a “swap agreement” that would have allowed Parmalat Finance to earn \$178 million to cover losses caused by unfavorable exchange rates. This swap agreement was reflected in the financial statements for 2002, although as Bondi explained in the Illinois Complaint, there was no evidence that the “decision for the swap” occurred in 2002 rather than after the end of the year in 2003. Additionally, this related-party transaction should have been eliminated as a “wash” so that it would have no effect on Parmalat’s income statement, but it was included on Parmalat’s income statement as one of the most significant items and therefore materially misstated the Company’s earnings and net worth.

5. Deloitte’s Failure to Act on Prompting from CONSOB, the Italian Securities Regulator

1044. Another illustration of Deloitte’s participation in Parmalat’s fraud, and its attempt to conceal the fraud, is Deloitte’s refusal to cooperate with CONSOB, the Italian analog of the SEC.

1045. On July 16, 2003, CONSOB sent Deloitte a request for clarification on numerous troubling matters related to Parmalat's finances, including its net consolidated financial position as of December 31, 2002; details on the bonds Parmalat had issued; the warranties that had been given for those bonds; and the characteristics of the transactions involved, including descriptions of the main securitization transactions.

1046. On July 23, 2003, Deloitte responded with only a vague description of Parmalat's consolidated financial position and simply listed the bonds as debts to banks.

1047. In actuality, the situation portrayed in the financial statements audited by Deloitte was materially different from Parmalat's true condition. As reconstructed by PwC, as of September 2003, Parmalat's debts amounted to roughly \$16.7 billion, rather than the substantially lower amount previously reflected in Parmalat's financial statements audited by Deloitte.

1048. Significantly, Deloitte's response to CONSOB failed to mention any of the following bonds:

- (a) \$431 million issued by Parmalat Participações, audited by Deloitte's Brazilian office, which were reclassified in the consolidated accounts for 2002 from a net asset to a debt; and
- (b) \$73.8 million issued by Dairy and Bakery (formerly Beatrice Foods), which was audited by Deloitte Canada.

1049. The indebtedness Deloitte reported to CONSOB also did not include the private placements that Parmalat entities — all of which had been audited by Deloitte — had issued in the market. At the end of 2003, this amounted to \$1.796 billion.

1050. Deloitte, therefore, deliberately or recklessly mislead the Italian securities regulator in connection with that body's investigatory efforts.

6. Chiaruttini's Conclusions Regarding the Auditors' Scienter

1051. Additional support for the auditors' scienter lies in the conclusions reached by Chiaruttini.

1052. From the work papers for the year end 2000 audit, Chiaruttini concluded that:

- (i) Deloitte's overall evaluation of the Parmalat Group was *not grounded in prudence*; in fact, the auditor had determined that the Group was "already saddled by a high indebtedness index" so as to render not only the consolidation process "particularly complex" due to the "Group's dynamics which have caused, in the latest operating years, notable variations in the consolidation area," but also so as to render the operations involving the Group's treasury just as complex;
- (ii) The *controls and the analyses carried out by Deloitte were defective* at least under the following profiles:
 - Deloitte did not pay attention... to the observations that its reporters made in the Early Warning Reports and Summary Audit Pleadings, especially in the South American regions....;
 - Deloitte made no substantive analysis either on the indebtedness levels of the GROUP, or on the cash flows generated within the GROUP from the bonds collections and from the private placements and other instruments;
 - Transfers of amounts from "financial debts," ascribed to certain intergroup companies (for example, B.V.), to "Debt to Inter-group Companies" (for example, Bonlat); and of,
 - The re-classifications of the financial burdens from "costs to third parties" to "cost to inter-group companies" (such as Bonlat and Parmalat Capital Finance),
 - Failed to exercise any control on these operations despite their unusual and anomalous nature.

1053. Also, despite expressing doubts since 1999 regarding as to the correctness of amortizations in the balance sheets, Deloitte failed to flag such problems in its own conclusive work.

1054. Moreover, according to Chiaruttini, Deloitte had knowledge from the very beginning of its professional relationship with the Company of issues which put Deloitte on notice of the possibility of fraud. Chiaruttini stated:

In fact, regardless of the depth of its investigation, there is no doubt that Deloitte perceived at least the following issues:

- the negative performance of certain foreign entities, especially those in Brazil, Argentina, and Portugal, as well as one company located in the U.S.;
- the losses in the year-end financing statements;
- the precarious conditions -indeed, the dangers of dissolution facing the beleaguered Parmalat entities;
- the general indebtedness of Parmalat Group, and financial tension created by such debt;
- the abnormal concentration in a few individuals of the actual extent of Parmalat's true financial condition, despite the size of the Group;
- the absolute lack of any adequate system of management control; and
- the improper practice of entering on the ledgers "debts owed to bondholders" as "debts owed to banks."

1055. Chiaruttini concluded that:

the deficiencies in Deloitte's original analysis, the failure to identify certain critical areas within the Group, and the failure to enact procedures capable of discovering the real reasons behind the Group's huge liquidity, cannot justify the very grave lack of any controls. **What was known to Deloitte, at the onset of its auditing mandate, should have induced this auditor to enact more substantial controls than those later put in place.**

1056. Finally, Chiaruttini recognized that:

there is indeed a disconnect between the grave problems recognized from the onset of the auditing mandate, and the control systems actually employed throughout the audits. Instead, the auditors, even in the face of problematic issues, and without offering any additional comment or analysis, merely took note of the accounting data provided by the group the way a notary merely takes notice of an event.... **We can't even say**

that the knowledge of the problematic issues was limited to the lowest auditing levels. Instead, the contrary is true

* * *

Under this situation, an analysis of the violations of specific auditing principles seems useless: this is not the case to define whether the correct application of an auditing principle would have led to the discovery of the Group's problems; rather, **here the issue is whether the auditing principles were "bent" or overlooked in order to hide, or at least keep ambiguous, the Group's real assets and finances.**

* * *

[W]e cannot reasonably doubt that Deloitte knew sufficiently well its client, and that such knowledge was always sufficient to attract the interests of any experienced auditor, especially when the experienced auditor, in this case, is an auditing firm of primary importance such as Deloitte & Touche.

1057. In sum, the evidence shows that Parmalat's auditors were active participants in the fraud or were extremely and knowingly derelict in their duties to perform an independent and effective audit of Parmalat. Deloitte and Grant Thornton did not conduct any audit because they knew it would be useless –they did not want to implicate themselves. Thus, Deloitte and Grant Thornton certified Parmalat's financial statements which, for all of the reasons set forth above, they knew, or were at least extremely reckless in not knowing, were completely false.

XII. CLASS ACTION ALLEGATIONS

1058. This action is brought as a class action pursuant to Federal Rules of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired the securities of Parmalat during the period January 5, 1999 and December 18, 2003, inclusive (the "Class Period"), and who were damaged thereby. Excluded from the Class are the defendants, persons who, during the Class Period, were officers and directors of the Company or of its parent, subsidiaries and affiliates or of the corporate defendants, and members

of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which the defendants have or had a controlling interest.

1059. The members of the Class are so numerous that joinder of all members is impracticable. As of November 30, 2002, there were more than 804 million Parmalat shares and ADRs issued and more than \$5 billion face amount of Parmalat debt outstanding. Throughout the Class Period, Parmalat securities were purchased in numerous countries worldwide and were actively traded on the Luxembourg Stock Exchange, the Mercato Telematico Azionario (an electronic exchange located in Italy), the Milan Stock Exchange, the stock exchange in Uruguay, and in the over-the counter market in the United States. While the exact number of Class members is unknown to Plaintiffs at this time, and can only be ascertained through appropriate discovery, Plaintiffs believe that there are thousands of members in the Class. Record owners and other members of the Class may be identified from records maintained by Parmalat or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

1060. Plaintiffs' claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by the defendants' wrongful conduct in violation of the federal securities laws that are complained of herein.

1061. Plaintiffs will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class and securities litigation.

1062. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) Whether the federal securities laws were violated by the defendants' acts as alleged herein;

(b) Whether defendants engaged in a scheme and fraudulent course of conduct in violation of Rule 10b-5;

(c) Whether statements made by the defendants to the investing public during the Class Period misrepresented material facts about the business, operations and financial statements of Parmalat in violation of Rule 10b-5;

(d) Whether the defendants acted willfully or with recklessness in connection with the scheme and the misrepresentations alleged herein;

(e) Whether the conduct engaged in by the defendants caused Plaintiffs' losses; and

(f) Whether the members of the Class have sustained damages.

XIII. APPLICABILITY OF PRESUMPTION OF RELIANCE

1063. With respect to Plaintiffs' claims brought under the Exchange Act and Rule 10b, Plaintiffs are entitled to rely upon the presumption of reliance established by the fraud-on-the-market doctrine in that, among other things:

- a) Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- b) The omissions and misrepresentations were material;
- c) The Company's securities traded in efficient markets;
- d) The misrepresentations alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- e) without knowledge of the misrepresented or omitted material facts, Plaintiffs and the other members of the Class purchased or otherwise acquired Parmalat securities between the time Defendants made the material misrepresentations and omissions and the time the truth was revealed, during which time the price of Parmalat securities was inflated by Defendants' misrepresentations and omissions. Additionally, because the fraud was so pervasive and substantial that

had Parmalat's true financial condition been disclosed, none of the debt securities could have been marketed.

1064. At all relevant times, the global markets for Parmalat publicly-traded securities were efficient for the following reasons, among others:

- a) Parmalat's securities were actively traded on several exchanges worldwide, including the Luxemburg Stock Exchange, the Mercato Telematico Azionario, the Milan Stock Exchange, highly efficient markets and in the United States in the form of ordinary shares and ADRs in the over-the-counter market;
- b) As a regulated issuer, Parmalat filed periodic public reports with Italian securities regulator Commissione Nazionale per le Società e la Borsa ("CONSOB");
- c) Parmalat regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the major news wire services and through other wide-ranging public disclosures, such as communications with the financial press, securities analysts and other similar reporting services. For example, during the Class Period, Factiva.com news retrieval service (a service of Dow Jones & Reuters) list 10,591 articles mentioning Parmalat. The Factiva.com news retrieval service shows 5,330 articles from "major" sources only and 10,591 articles from "all" sources;
- d) The market reacted to public information disseminated by Parmalat. For example, during the Class Period, there was media coverage of Parmalat on the twenty largest percentage price changes for its common shares, the largest twenty percent price change in Parmalat's bonds, and the twenty largest days in Parmalat's daily share volume. On each date, there were multiple news articles from multiple sources regarding Parmalat according to the Factiva.com news retrieval service. Clearly, there was market reaction to information on each of the above exchanges regarding Parmalat; and
- e) Parmalat was followed by numerous securities analysts employed by major brokerage firms, including defendant Citigroup's Solomon Smith Barney unit, who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Investnext lists 159 analysts' reports from 24 analysts during the Class Period and Multexnet list 225 documents from 23 analysts including 136 research documents and 89 "morning reports." Each of these reports was publicly available and entered the public marketplace.

1065. As a result of the foregoing, the market for Parmalat's securities promptly digested current information regarding Parmalat from all publicly available sources and reflected such information in Parmalat's securities prices. Additionally, Parmalat's debt securities traded in tandem with Parmalat's common shares. Under these circumstances, all purchasers and acquirers of Parmalat's securities during the Class Period suffered similar injury through their

purchase or acquisition of Parmalat's securities at artificially inflated prices and a presumption of reliance applies.

1066. In addition to the foregoing, the "fraud created the market" doctrine applies to bonds and other securities that were issued by Parmalat Finanziaria S.p.A., Parmalat S.p.A., Parmalat Capital Finance, and other subsidiary and affiliated companies during the Class Period. The financial fraud alleged herein was so pervasive that absent the fraud, none of the bonds issued by the Company during the Class Period could have been issued at any price.

XIV. INAPPLICABILITY OF STATUTORY SAFE HARBOR

1067. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the statements pleaded herein were not specifically identified as "forward-looking statements" at the time such statements were made, and many were statements of historical fact and/or representations about the Company's present status to which the statutory safe harbor does not apply.

1068. To the extent any of the statements pleaded herein may properly be classified as forward-looking statements to which the statutory safe harbor applies: (a) those statements were not accompanied by meaningful cautionary statements identifying the important then-present factors that could cause actual results to differ materially from those in the purportedly forward-looking statements; and (b) the particular speakers of such statements knew in each case that their statements were false or misleading, and/or the statements were authorized and/or approved by an executive officer of the Company who knew that those statements were false or misleading, in each case when such statements were made.

1069. Any purported warnings contained in or accompanying any of the press releases, periodic financial reports and financial statements, offering materials and other statements

described herein were generic and unparticularized boilerplate statements which lacked the meaningful cautionary language necessary to insulate any purportedly forward-looking statements.

COUNT I
Violation of Section 10(b) of the Exchange Act
and Rules 10b-5(a) and 10b-5(c) Promulgated Thereunder
(Against Tanzi, Del Soldato, Ferraris, G. Tanzi, S. Tanzi, Tonna,
Brughera, Ferretti, Nuti, Martellini and Bocchi)

1070. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1071. This Count is brought pursuant to Section 10(b) of the Exchange Act, Rule 10b-5(a), and Rule 10b-5(c) promulgated thereunder on behalf of Plaintiffs and the Class against defendants Tanzi, Del Soldato, Ferraris, G. Tanzi, S. Tanzi, and Tonna (collectively, the “Director Defendants”), Brughera, Ferretti, Nuti, and Martellini (collectively, the “Statutory Auditor Defendants”) and Bocchi (together, with the Director Defendants and Statutory Auditors Defendants, the “Individual Defendants”).

1072. The Individual Defendants employed devices, schemes and artifices to defraud and engaged in acts, practices and a course of business that operated as a fraud and deceit upon the purchasers and acquirers of Parmalat securities in order to maintain artificially high market prices for Parmalat’s securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5(a) and Rule 10b-5(c).

1073. During the Class Period, the Individual Defendants carried out a plan, scheme and course of conduct which was intended to and did: (a) deceive the investing public, including Plaintiffs, as alleged herein; (b) artificially create, inflate and maintain the market for and market prices of Parmalat’s securities; and (c) cause Plaintiffs to purchase or otherwise acquire Parmalat

securities at artificially inflated prices. In furtherance of this unlawful plan, scheme and course of conduct, the Individual Defendants took the actions set forth herein.

1074. Among other things, the Individual Defendants, as senior officers and/or directors of Parmalat or as statutory auditors, individually and collectively were responsible for the Company's financial accounting systems and the preparation and review of its audited and unaudited financial statements. In this role, the Individual Defendants had knowledge of, or were extremely reckless in not knowing of, and/or directed or participated in the manipulations undertaken in order to fraudulently boost Parmalat's reported assets and earnings and reduce its liabilities.

1075. The Individual Defendants engaged in the fraudulent activity described above knowingly and intentionally, or in such an extremely reckless manner, as to constitute willful deceit and fraud upon Plaintiffs.

1076. As a result of the fraudulent activities of the Individual Defendants described above, in conjunction with the activities of the other defendants, the prices of Parmalat securities were artificially inflated during the Class Period.

1077. In ignorance of Parmalat's true financial condition, Plaintiffs, relying upon the integrity of the market price for Parmalat's securities, purchased or otherwise acquired Parmalat securities at artificially inflated prices during the Class Period.

1078. But for the fraud, none of the securities that were brought to market could have been sold at any price and those securities that were traded in the market would not have been purchased at artificially inflated prices.

1079. The market prices for Parmalat's securities declined materially upon the public disclosure of the true facts which had been misrepresented or concealed as alleged herein.

1080. As a direct and proximate result of the wrongful conduct of the Individual Defendants, Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which the defendants named in this Count are jointly and severally liable.

COUNT II
Violation of Section 10(b) of the Exchange Act
and Rule 10b-5(b) Promulgated Thereunder
(Against Tanzi, Del Soldato, Ferraris, G. Tanzi, S. Tanzi, Tonna,
Brughera, Ferretti, Nuti and Martellini)

1081. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1082. This Count is brought pursuant to Section 10(b) of the Exchange Act and Rule 10b-5(b) promulgated thereunder on behalf of Plaintiffs and the Class against the Director Defendants and Statutory Auditor Defendants.

1083. The Director Defendants and Statutory Auditor Defendants made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading, by use of means or instrumentalities of interstate commerce in order to maintain artificially high market prices for Parmalat's securities and create a market therefore in violation of Section 10(b) of the Exchange Act and Rule 10b-5(b).

1084. During the Class Period, the Director Defendants and Statutory Auditor Defendants made false and misleading statements of material fact which were intended to and did: (a) deceive the investing public, including Plaintiffs, as alleged herein; (b) artificially inflate and maintain the market prices of Parmalat's securities; and (c) cause Plaintiffs to purchase or otherwise acquire Parmalat securities at artificially inflated prices. In furtherance of this unlawful plan, scheme and course of conduct, the Director Defendants and Statutory Auditor Defendants took the actions set forth herein.

1085. Among other things, the Director Defendants and the Statutory Auditor Defendants, as officers and/or directors and/or statutory auditors of Parmalat, individually and collectively were responsible for the Company's financial accounting systems and the preparation and review of its audited and unaudited financial statements. In this role, the Director Defendants and Statutory Auditor Defendants were responsible for the publication or other release to the public of documents containing untrue statements of material fact and/or omitting to state material facts required to be stated to make the statements therein not misleading. In fact, the Director Defendants and Statutory Auditor Defendants had knowledge of, or were extremely reckless in not knowing of, and/or directed or participated in the manipulations undertaken in order to fraudulently boost Parmalat's reported assets and earnings and reduce its liabilities.

1086. The Director Defendants and Statutory Auditor Defendants engaged in the fraudulent activity described above knowingly and intentionally, or in such extremely reckless manner as to constitute willful deceit and fraud upon Plaintiffs. The Director Defendants and Statutory Auditor Defendants knowingly caused Parmalat's and their own reports and statements to contain misrepresentations and omissions of material fact as alleged herein.

1087. As a result of the fraudulent activities of the Director Defendants and Statutory Auditor Defendants, in conjunction with the activities of the other defendants, the prices of Parmalat securities were artificially inflated during at least the Class Period.

1088. In ignorance of Parmalat's true financial condition, Plaintiffs, relying upon the integrity of the market price for Parmalat's securities and/or the statements and reports of Parmalat containing false and misleading information, purchased or otherwise acquired Parmalat securities at artificially inflated prices during the Class Period.

1089. But for the fraud, none of the securities that were brought to market could have been sold at any price and those securities that were traded in the market would not have been purchased at artificially inflated prices.

1090. The market prices for Parmalat's securities declined materially upon the public disclosure of the true facts which had been misrepresented or concealed as alleged herein.

1091. As a direct and proximate result of the false and misleading statements and omissions of the Director Defendants and Statutory Auditor Defendants, Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which the defendants named in this Count are jointly and severally liable.

COUNT III
Violation of Section 20(a) of the Exchange Act
**(Against Tanzi, Del Soldato, Ferraris, G. Tanzi, S. Tanzi, Tonna,
Brughera, Ferretti, Nuti, Martellini and Bocchi)**

1092. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1093. This Count is brought pursuant to Section 20(a) of the Exchange Act on behalf of Plaintiffs and the Class against the Individual Defendants.

1094. As set forth above, Parmalat and its subsidiaries and affiliates within the Parmalat Group, including but not limited to Parmalat S.p.A. and Bonlat, among others, committed primary violations of Section 10(b) and Rule 10b-5 promulgated thereunder by virtue of the plan, scheme and course of conduct set forth herein.

1095. The Individual Defendants acted as controlling persons of Parmalat, Bonlat, and the other members of the Parmalat Group within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their executive positions, membership on Parmalat's Board of Directors and Board of Statutory Auditors, and/or stock ownership, as alleged above, the

Individual Defendants had the power to influence and did influence and control, directly or indirectly, the decision making of Parmalat, Bonlat and the other Group companies. The Individual Defendants were provided with or had unlimited access to copies of internal documents, reports, press releases, public filings and other statements alleged by Plaintiffs to be misleading and used in furtherance of the plan, scheme and course of conduct set forth herein, and had the ability to prevent the issuance of the false and misleading statements or to cause the statements to be corrected.

1096. The Director Defendants and Bocchi also had direct involvement in the day-to-day operations of Parmalat, Bonlat and the other Group companies and are, therefore, presumed to have had the power to control or influence the particular conduct giving rise to the securities law violations, and exercised that power, as set forth herein.

1097. By virtue of their positions as controlling persons of Parmalat, Parmalat S.p.A. and Bonlat and the other companies in the Parmalat Groups, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of the Individual Defendants' wrongful conduct, Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which the defendants named in this Count are jointly and severally liable.

COUNT IV
Violation of Section 10(b) of the Exchange Act
and Rules 10b-5(a) and 10b-5(c) Promulgated Thereunder
(Against Deloitte Touche Tohmatsu, Deloitte & Touche LLP, Deloitte & Touche USA LLP,
Grant Thornton International, Grant Thornton LLP and Grant Thornton S.p.A.)

1098. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1099. This Count is brought pursuant to Section 10(b) of the Exchange Act, Rule 10b-5(a) and Rule 10b-5(c) promulgated thereunder, on behalf of Plaintiffs and the Class against

defendants Deloitte Touche Tohmatsu, Deloitte & Touche LLP, Deloitte & Touche USA LLP, Grant Thornton International, Grant Thornton LLP, Grant Thornton S.p.A. and James E. Copeland (“Copeland”) (collectively, the “Auditor Defendants”).

1100. The Auditor Defendants employed devices, schemes and artifices to defraud and engaged in acts, practices and a course of business that operated as a fraud and deceit upon the purchasers and acquirers of Parmalat securities in order to maintain artificially high market prices for Parmalat’s securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5(a) and Rule 10b-5(c).

1101. During the Class Period, the Auditor Defendants carried out a plan, scheme and course of conduct which was intended to and did: (a) deceive the investing public, including Plaintiffs, as alleged herein; (b) artificially create, inflate and maintain the market for and market prices of Parmalat’s securities; and (c) cause Plaintiffs to purchase or otherwise acquire Parmalat securities at artificially inflated prices. In furtherance of this unlawful plan, scheme and course of conduct, the Auditor Defendants took the actions set forth herein.

1102. Among other things, Deloitte Touche Tohmatsu, Deloitte & Touche LLP, Deloitte & Touche USA LLP, Grant Thornton International, Grant Thornton LLP, Grant Thornton S.p.A. acted as auditors for Parmalat and many of its consolidated and unconsolidated subsidiaries. Deloitte Touche Tohmatsu, Deloitte & Touche LLP, Deloitte & Touche USA LLP, Grant Thornton International, Grant Thornton LLP, Grant Thornton S.p.A. and Copeland knew and understood that the audit reports and opinions issued by the member firms world-wide concerning the financial statements and reports of Parmalat would be released to the investing public and that investors would rely, and had a right to rely, on those reports and opinions. The Auditor Defendants had access to employees of Parmalat and its subsidiaries, and continuing

access to and knowledge of Parmalat and its subsidiaries' confidential corporate, financial, operating and business information. Despite this access and knowledge, the Auditor Defendants knowingly or with extreme recklessness perpetrated and/or concealed the accounting manipulations and other schemes undertaken in order to fraudulently boost Parmalat's reported assets and earnings and reduce its reported liabilities.

1103. The Auditor Defendants engaged in the fraudulent activity described above knowingly and intentionally, or in such extremely reckless manner as to constitute willful deceit and fraud upon Plaintiffs.

1104. As a result of the fraudulent activities of the Auditor Defendants described above, in conjunction with the activities of the other defendants, the prices of Parmalat securities were artificially inflated during the Class Period.

1105. In ignorance of Parmalat's true financial condition, Plaintiffs, relying upon the integrity of the market price for Parmalat's securities, purchased or otherwise acquired Parmalat securities at artificially inflated prices during the Class Period.

1106. But for the fraud, none of the securities that were brought to market could have been sold at any price and those securities that were traded in the market would not have been purchased at artificially inflated prices.

1107. The market prices for Parmalat's securities declined materially upon the public disclosure of the true facts which had been misrepresented or concealed as alleged herein.

1108. As a direct and proximate result of the wrongful conduct of the Auditor Defendants, Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which the defendants named in this Count are jointly and severally liable.

COUNT V
Violation of Section 10(b) of the Exchange Act
and Rule 10b-5(b) Promulgated Thereunder
(Against Deloitte Touche Tohmatsu, Deloitte & Touche LLP, Deloitte & Touche USA LLP,
Grant Thornton International, Grant Thornton LLP and Grant Thornton S.p.A.)

1109. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1110. This Count is brought pursuant to Section 10(b) of the Exchange Act and Rule 10b-5(b) promulgated thereunder on behalf of Plaintiffs and the Class against Deloitte Touche Tohmatsu, Deloitte & Touche LLP, Deloitte & Touche USA LLP, Grant Thornton International, Grant Thornton LLP and Grant Thornton S.p.A..

1111. Deloitte Touche Tohmatsu, Deloitte & Touche LLP, Deloitte & Touche USA LLP, Grant Thornton International, Grant Thornton LLP and Grant Thornton S.p.A. made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading, by use of means or instrumentalities of interstate commerce in order to maintain artificially high market prices for Parmalat's securities and create a market therefore in violation of Section 10(b) of the Exchange Act and Rule 10b-5(b).

1112. During the Class Period, Deloitte Touche Tohmatsu, Deloitte & Touche LLP, Deloitte & Touche USA LLP, Grant Thornton International, Grant Thornton LLP and Grant Thornton S.p.A. made false and misleading statements of material fact which were intended to and did: (a) deceive the investing public, including Plaintiffs, as alleged herein; (b) artificially inflate and maintain the market prices of Parmalat's securities; and (c) cause Plaintiffs to purchase or otherwise acquire Parmalat securities at artificially inflated prices. In furtherance of this unlawful plan, scheme and course of conduct, Deloitte Touche Tohmatsu, Deloitte & Touche

LLP, Deloitte & Touche USA LLP, Grant Thornton International, Grant Thornton LLP and Grant Thornton S.p.A. took the actions set forth herein.

1113. Among other things, Deloitte Touche Tohmatsu, Deloitte & Touche LLP, Deloitte & Touche USA LLP, Grant Thornton International, Grant Thornton LLP and Grant Thornton S.p.A. acted as auditors for Parmalat and many of its consolidated and unconsolidated subsidiaries. They knew and understood that their reports and opinions concerning the financial statements and reports of Parmalat would be released to the investing public and that investors would rely, and had a right to rely, on their reports and opinions. In their roles as auditors, they had access to employees of Parmalat and its subsidiaries, and continuing access to and knowledge of Parmalat and its subsidiaries confidential corporate, financial, operating and business information as well as the accounting manipulations and other schemes undertaken by themselves and others. Despite this access and knowledge, Deloitte Touche Tohmatsu, Deloitte & Touche LLP, Deloitte & Touche USA LLP, Grant Thornton International, Grant Thornton LLP and Grant Thornton S.p.A., *inter alia*, knowingly or with extreme recklessness certified without qualification and publicly represented that Parmalat's financial reports were free from material misstatements.

1114. Deloitte Touche Tohmatsu, Deloitte & Touche LLP, Deloitte & Touche USA LLP, Grant Thornton International, Grant Thornton LLP and Grant Thornton S.p.A. engaged in the fraudulent activity described above knowingly and intentionally, or in such an extremely reckless manner as to constitute willful deceit and fraud upon Plaintiffs. They knowingly caused Parmalat's and their own reports and statements to contain misrepresentations and omissions of material fact as alleged herein.

1115. As a result of the fraudulent activities of Deloitte Touche Tohmatsu, Deloitte & Touche LLP, Deloitte & Touche USA LLP, Grant Thornton International, Grant Thornton LLP and Grant Thornton S.p.A. described above, in conjunction with the activities of the other defendants, the market prices of Parmalat securities were artificially inflated during at least the Class Period.

1116. In ignorance of Parmalat's true financial condition, Plaintiffs, relying upon the integrity of the market price for Parmalat's securities and/or the statements and reports of Parmalat containing false and misleading information, purchased or otherwise acquired Parmalat securities at artificially inflated prices during the Class Period.

1117. But for the fraud, none of the securities that were brought to market could have been sold at any price and those securities that were traded in the market would not have been purchased at these artificially inflated prices.

1118. The market prices for Parmalat's securities declined materially upon the public disclosure of the true facts which had been misrepresented or concealed as alleged herein.

1119. As a direct and proximate result of the false and misleading statements and omissions of Deloitte Touche Tohmatsu, Deloitte & Touche LLP, Deloitte & Touche USA LLP, Grant Thornton International, Grant Thornton LLP and Grant Thornton S.p.A., Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which the defendants named in this Count are jointly and severally liable.

COUNT VI
Violation of Section 20(a) of the Exchange Act
(Against Deloitte Touche Tohmatsu)

1120. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1121. This Count is brought pursuant to Section 20(a) of the Exchange Act on behalf of Plaintiffs and the Class against Deloitte Touche Tohmatsu.

1122. As set forth above, Deloitte Touche Tohmatsu's member firms and employees, including but not limited to Deloitte & Touche LLP, Deloitte & Touche USA LLP, Deloitte & Touche S.p.A., Adolfo Mamoli and Giuseppe Rovelli, committed primary violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by virtue of the plan, scheme and course of conduct set forth herein.

1123. Deloitte Touche Tohmatsu acted as a controlling person of its member firms and employees, including but not limited to Deloitte & Touche LLP, Deloitte & Touche USA LLP, Deloitte & Touche S.p.A., Mamoli and Rovelli, within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of the unified international structure of the auditing firm and contractual relationships among member firms as alleged above, Deloitte Touche Tohmatsu had the power to influence and control, and did influence and control, directly or indirectly, the decision making of its member firms and their respective partners.

1124. Deloitte Touche Tohmatsu was provided with or had unlimited access to copies of its members firms' workpapers for audits of Parmalat and its subsidiaries, as well as to copies of internal documents, report, memoranda, communications, press releases, public filings and other statements alleged by Plaintiffs to be misleading and used in furtherance of the plan, scheme and course of conduct set forth herein, and had the ability to prevent the issuance of the false and misleading statements or to cause the statements to be corrected, as well as prevent the scheme and fraudulent course of conduct from being perpetrated.

1125. Deloitte Touche Tohmatsu had direct involvement in and communications regarding its member firms' audits of and consulting for, Parmalat and its subsidiaries and

therefore is presumed to have had the power to control or influence the particular conduct giving rise to the securities law violations, and exercised that power, as set forth herein.

1126. By virtue of its position as a controlling person of its member firms and employees, Deloitte Touche Tohmatsu is liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of their wrongful conduct, Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which Deloitte Touche Tohmatsu jointly and severally liable.

COUNT VII
Violation of Section 20(a) of the Exchange Act
(Against Deloitte & Touche LLP)

1127. Plaintiffs report and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1128. This Count is brought pursuant to Section 20(a) of the Exchange Act on behalf of Plaintiffs and the Class against Deloitte & Touche LLP.

1129. As set forth above, Deloitte Touche Tohmatsu, directly and through its member firms and employees, including but not limited to Deloitte & Touche S.p.A., Adolfo Mamoli and Giuseppe Rovelli committed primary violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated there under by virtue of the plan, scheme and cause of conduct set forth herein.

1130. Deloitte & Touche LLP acted as a controlling person of Deloitte Touche Tohmatsu within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of the unified international structure of the auditing firm, the size of Deloitte & Touche LLP within that structure, the contractual relationships among member firms as alleged above, Deloitte & Touche LLP had the power to influence and control and did influence and control,

directly or indirectly, the actions and decision making of Deloitte Touche Tohmatsu and its partners, senior executives and employees, its member firms and their respective partners.

1131. Deloitte & Touche LLP was provided with or had unlimited access to copies of its member firms' workpapers for auditor of Parmalat and its subsidiaries, as well as copies of internal documents, reports, memoranda, communications, press releases, public filings and other statements alleged by Plaintiffs to be misleading and used in furtherance of the plan, scheme and cause of conduct set forth herein, and had the ability to prevent the issuance of the false and misleading statements or to cause the statements to be corrected.

1132. Deloitte & Touche LLP also had direct involvement in and communications regarding its member firms' audits of, and consulting for, Parmalat and its subsidiaries and, therefore is presumed to have had the power to control or influence the particular conduct giving rise to the securities law violations, and exercised that power, as set forth herein.

1133. By virtue of its position as a controlling person of Deloitte Touche Tohmatsu, Deloitte & Touche LLP, is liable pursuant to Section 20(a) of the Exchange Act. As direct and proximate result of the wrongful conduct of Deloitte & Touche LLP, Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which Deloitte & Touche LLP is jointly and severally liable.

COUNT VIII
Violation of Section 20(a) of the Exchange Act
(Against James E. Copeland)

1134. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1135. This Count is brought pursuant to Section 20(a) of the Exchange Act on behalf of Plaintiffs and the Class against James E. Copeland ("Copeland").

1136. As set forth above, Deloitte Touche Tohmatsu, Deloitte & Touche LLP and Deloitte & Touche USA LLP and their member firms and employees, including but not limited to Deloitte & Touche S.p.A., Adolfo Mamoli and Giuseppe Rovelli, committed primary violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by virtue of the plan, scheme and course of conduct set forth herein.

1137. Copeland was the Chief Executive Officer and/or Managing Partner of Deloitte Touche Tohmatsu and Deloitte & Touche LLP until May 2003. In this role, Copeland acted as a controlling person of Deloitte Touche Tohmatsu and Deloitte & Touche LLP within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of his executive positions as alleged above, Copeland had the power to influence and did influence and control, directly or indirectly, the decision making of Deloitte Touche Tohmatsu and Deloitte & Touche LLP. Copeland was provided with or had unlimited access to copies of internal documents, reports, work papers, memoranda, communications, press releases, and statements alleged by Plaintiffs to be misleading and used in furtherance of the plan, scheme and course of conduct set forth herein, and had the ability to prevent the issuance of the false and misleading statements or to cause the statements to be corrected.

1138. Copeland also had direct involvement in the day-to-day operations of Deloitte Touche Tohmatsu and Deloitte & Touche LLP, and specifically with respect to the audit and other services provided by Deloitte Touche Tohmatsu and Deloitte & Touche LLP to Parmalat entities, and even caused the removal of audit partners who raised concerns in reports about the appropriateness of Parmalat's accounting, and is, therefore, presumed to have had the power to control or influence the particular conduct giving rise to the securities law violations, and exercised that power, as set forth herein.

1139. By virtue of his position as a controlling person of Deloitte Touche Tohmatsu and Deloitte & Touche LLP, Copeland is liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Copeland's wrongful conduct, Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which Copeland is jointly and severally liable.

COUNT IX
Violation of Section 20(a) of the Exchange Act
(Against Grant Thornton International)

1140. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1141. This Count is brought pursuant to Section 20(a) of the Exchange Act on behalf of Plaintiffs and the Class against Grant Thornton International.

1142. As set forth above, Grant Thornton International's member firms and employees, including but not limited to Grant Thornton LLP, Grant Thornton S.p.A., Lorenzo Penca and Maurizio Bianchi, committed primary violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by virtue of the plan, scheme and course of conduct set forth herein.

1143. Grant Thornton International acted as a controlling person of Grant Thornton LLP, Grant Thornton S.p.A, Lorenzo Penca, Maurizio Bianchi, Bonlat and Camfield, within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of the unified international structure of the auditing firm and contractual relationships among member firms as alleged above, Grant Thornton International had the power to influence and control, and did influence and control, directly or indirectly, the decision making of its member firms and their respective partners.

1144. Grant Thornton International was provided with or had unlimited access to copies of its member firms' workpapers for audits of Parmalat and its subsidiaries, as well as to copies of internal documents, reports, memoranda, communications, press releases, public filings and other statements alleged by Plaintiffs to be misleading and used in furtherance of the plan, scheme and course of conduct set forth herein, and had the ability to prevent the issuance of the false and misleading statements or to cause the statements to be corrected.

1145. Grant Thornton International, directly or through its member firms, including Grant Thornton LLP and Grant Thornton S.p.A. and audit partners, including Lorenzo Penca and Maurizio Bianchi, created and oversaw entities used to perpetrate the fraud, including Bonlat, which was conceived and created by, *inter alia*, Grant Thornton S.p.A., and Camfield, which was located in, and shared the staff of, Grant Thornton International's Singapore member firm's offices. In this role, Grant Thornton International had the authority to and did control Bonlat and Camfield.

1146. Grant Thornton International also had direct involvement in and communications regarding its member firms' – including Grant Thornton S.p.A's -- audits of, and consulting for, Parmalat and its subsidiaries and, therefore, is presumed to have had the power to control or influence the particular conduct giving rise to the securities law violations, and exercised that power, as set forth herein.

1147. By virtue of its position as controlling person of its member firms, partners and employees, including Grant Thornton LLP, Grant Thornton S.p.A, Lorenzo Penca, Maurizio Bianchi, Bonlat and Camfield, Grant Thornton International is liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of the wrongful conduct of Grant Thornton

International, Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which Grant Thornton International is jointly and severally liable.

COUNT X
Violation of Section 20(a) of the Exchange Act
(Against Grant Thornton LLP)

1148. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1149. This Count is brought pursuant to Section 20(a) of the Exchange Act on behalf of Plaintiffs and the Class against the Grant Thornton LLP.

1150. As set forth above, Grant Thornton International, directly and through its member firms and employees, including but not limited to Grant Thornton S.p.A., Lorenzo Penca and Maurizio Bianchi, committed primary violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by virtue of the plan, scheme and course of conduct set forth herein.

1151. Grant Thornton LLP acted as a controlling person of Grant Thornton International within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of the unified international structure of the auditing firm, the size of Grant Thornton LLP within that structure, and the contractual relationships among member firms as alleged above, Grant Thornton LLP had the power to influence and control and did influence and control, directly or indirectly, the decision making of Grant Thornton International, its partners, senior executive and employees, its member firms and their respective partners. Grant Thornton LLP was provided with or had unlimited access to copies of its member firms' workpapers for audits of Parmalat and its subsidiaries, as well as to copies of internal documents, reports, memoranda, communications, press releases, public filings and other statements alleged by Plaintiffs to be misleading and used in furtherance of the plan, scheme and course of conduct set forth herein,

and had the ability to prevent the issuance of the false and misleading statements or to cause the statements to be corrected.

1152. Grant Thornton LLP, directly or through its audit partners and employees, was aware of the creation by Grant Thornton International and its member firms of entities used to perpetrate the fraud, including Bonlat, which was conceived and created by, *inter alia*, Grant Thornton S.p.A., and Camfield, which was located in, and shared the staff of, Grant Thornton International's Singapore member firm's offices.

1153. Grant Thornton LLP also had direct involvement in and communications regarding its member firms' – including Grant Thornton S.p.A's -- audits of, and consulting for, Parmalat and its subsidiaries and, therefore, is presumed to have had the power to control or influence the particular conduct giving rise to the securities law violations, and exercised that power, as set forth herein.

1154. By virtue of its position as a controlling person of Grant Thornton International, Grant Thornton LLP is liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of the wrongful conduct of Grant Thornton LLP, Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which Grant Thornton LLP is jointly and severally liable.

COUNT XI
Violation of Section 20(a) of the Exchange Act
(Against Grant Thornton S.p.A.)

1155. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1156. This Count is brought pursuant to Section 20(a) of the Exchange Act on behalf of Plaintiffs and the Class against Grant Thornton S.p.A.

1157. As set forth above, Lorenzo Penca, Maurizio Bianchi, Bonlat and Camfield committed primary violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by virtue of the plan, scheme and course of conduct set forth herein.

1158. Grant Thornton S.p.A. acted as a controlling person of Lorenzo Penca, Maurizio Bianchi, Bonlat and Camfield within the meaning of Section 20(a) of the Exchange Act as alleged herein. Grant Thornton S.p.A. had the power to influence and control and did influence and control its employees and partners, Lorenzo Penca and Maurizio Bianchi.

1159. Grant Thornton S.p.A. created and oversaw entities used to perpetrate the fraud, including Bonlat and Camfield, which was located in and shares the staff of Grant Thornton's Singapore member firm's offices. In this role, Grant Thornton S.p.A. had the authority to and did control Bonlat and Camfield.

1160. Grant Thornton S.p.A. also had direct involvement in and communications regarding audits of, and consulting for, Parmalat and its subsidiaries carried out by other member firms controlled by Grant Thornton International and Grant Thornton LLP and, therefore, it is presumed to have had the power to control or influence the particular conduct giving rise to the securities law violations, and exercised that power, as set forth herein.

1161. By virtue of its position as controlling person of Grant Thornton partners and employees, including Lorenzo Penca, Maurizio Bianchi, and of Bonlat and Camfield, Grant Thornton S.p.A. is liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of the wrongful conduct of Grant Thornton S.p.A., Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which Grant Thornton S.p.A. is jointly and severally liable.

COUNT XII
Violation of Section 10(b) of the Exchange Act
and Rules 10b-5(a) and 10b-5(c) Promulgated Thereunder
(Against Citigroup Inc., Citibank N.A., Eureka Plc, Vialattea LLC, Buconero LLC, Bank of America Corp., Bank of America N.A., Banc of America Securities Ltd., Credit Suisse First Boston Corp. and Banca Nazionale Del Lavoro S.p.A.)

1162. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1163. This Count is brought pursuant to Section 10(b) of the Exchange Act, Rule 10b-5(a), and Rule 10b-5(c) promulgated thereunder on behalf of Plaintiffs and the Class against the following defendants: Citigroup Inc., Citibank N.A., Eureka Plc, Vialattea LLC, and Buconero LLC; Bank of America Corp., Bank of America N.A. and Banc of America Securities Ltd.; Credit Suisse First Boston Corp.; and Banca Nazionale Del Lavoro S.p.A. (collectively, the “Bank Defendants”).

1164. The Bank Defendants and their agents and employees employed devices, schemes and artifices to defraud and engaged in acts, practices and a course of business that operated as a fraud and deceit upon the purchasers and acquirers of Parmalat securities in order to maintain artificially high market prices for Parmalat’s securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5(a) and Rule 10b-5(c).

1165. During the Class Period, the Bank Defendants and their agents and employees carried out a plan, scheme and course of conduct which was intended to and did: (a) deceive the investing public, including Plaintiffs, as alleged herein; (b) artificially create, inflate and maintain the market for and market prices of Parmalat’s securities; and (c) cause Plaintiffs to purchase or otherwise acquire Parmalat securities at artificially inflated prices. In furtherance of this unlawful plan, scheme and course of conduct, the Bank Defendants took the actions set forth herein.

1166. Among other things, the Bank Defendants, individually and through their subsidiaries, agents and employees, all acted as financial advisors and/or counterparties to Parmalat and its subsidiaries and structured many of the transactions undertaken in order to fraudulently boost Parmalat's reported assets and earnings and reduce its liabilities. For example, each designed and participated, as a principal, in transactions to allow Parmalat to disguise debt as equity or that artificially inflated the market's perception of the value of Parmalat. By virtue of their roles as financial advisors to Parmalat and/or its subsidiaries, the Bank Defendants had access to confidential corporate, financial and business information and knew or were extremely reckless in not knowing of the Company's true financial condition. As sophisticated international financial institutions, the Bank Defendants knew or were reckless in not knowing that the transactions in which they participated were undertaken in order for Parmalat to conceal, and did result in Parmalat concealing, its true financial condition. Yet, despite this access and knowledge, the Bank Defendants knowingly or with extreme recklessness, disregarded the accounting manipulations and other schemes undertaken in order to fraudulently boost Parmalat's reported assets and earnings and reduce its liabilities.

1167. The Bank Defendants engaged in the fraudulent activity described above knowingly and intentionally, or in such an extremely reckless manner as to constitute willful deceit and fraud upon Plaintiffs and the Class.

1168. As a result of the fraudulent activities of the Bank Defendants described above, in conjunction with the activities of the other defendants, the price of Parmalat securities were artificially inflated during at least the Class Period.

1169. In ignorance of Parmalat's true financial condition, Plaintiffs, relying upon the integrity of the market price for Parmalat's securities, purchased or otherwise acquired Parmalat securities at artificially inflated prices during the Class Period.

1170. But for the fraud, none of the securities that were brought to market could have been sold at any price and those securities that were traded in the market would not have been purchased at these artificially inflated prices.

1171. The market prices for Parmalat's securities declined materially upon the public disclosure of the true facts which had been misrepresented or concealed as alleged herein.

1172. As a direct and proximate result of the wrongful conduct of the Bank Defendants, Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which the defendants named in this Count are jointly and severally liable.

COUNT XIII
Violation of Section 10(b) of the Exchange Act
and Rule 10b-5(b) Promulgated Thereunder
(Against Citigroup Inc., Citibank N.A., Bank of America Corp.,
Bank of America N.A. and Banc of America Securities Ltd.)

1173. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1174. This Count is brought pursuant to Section 10(b) of the Exchange Act and Rule 10b-5(b) promulgated thereunder on behalf of Plaintiffs and the Class against Citigroup Inc., Citibank N.A., Bank of America Corp., Bank of America N.A. and Banc of America Securities Ltd.

1175. Citigroup Inc., Citibank N.A., Bank of America Corp., Bank of America N.A. and Banc of America Securities Ltd. made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading, by use of means or instrumentalities of interstate commerce in order to maintain artificially high market prices for

Parmalat's securities and create a market therefore in violation of Section 10(b) of the Exchange Act and Rule 10b-5(b).

1176. During the Class Period, Citigroup Inc., Citibank N.A., Bank of America Corp., Bank of America N.A. and Banc of America Securities Ltd. made false and misleading statements of material fact which were intended to and did: (a) deceive the investing public, including Plaintiffs, as alleged herein; (b) artificially inflate and maintain the market prices of Parmalat's securities; and (c) cause Plaintiffs to purchase or otherwise acquire Parmalat securities at artificially inflated prices. In furtherance of this unlawful plan, scheme and course of conduct, Citigroup Inc., Citibank N.A., Bank of America Corp., Bank of America N.A. and Banc of America Securities Ltd. took the actions set forth herein.

1177. Citigroup Inc., Citibank N.A., Bank of America Corp., Bank of America N.A. and Banc of America Securities Ltd. acted as financial advisors to Parmalat and its subsidiaries and helped structure many of the transactions undertaken in order to fraudulently boost Parmalat's reported assets and earnings and reduce its liabilities. For example, each participated as a principal in transactions designed to allow Parmalat to disguise debt as equity or that, with their knowledge and tacit consent, were otherwise inaccurately reported by Parmalat in its financial reports and public statements. By virtue of their roles as financial advisors to Parmalat and its subsidiaries, Citigroup Inc., Citibank N.A., Bank of America Corp., Bank of America N.A. and Banc of America Securities Ltd. had access to confidential corporate financial and business information and knew or were extremely reckless in not knowing of the Company's true financial condition. Yet, despite this access and knowledge, Citigroup Inc., Citibank N.A., Bank of America Corp., Bank of America N.A. and Banc of America Securities Ltd. knowingly or with extreme recklessness disregarded the accounting manipulations and other schemes

undertaken in order to fraudulently boost Parmalat's reported assets and earnings and reduce its liabilities. Citigroup Inc., Citibank N.A., Bank of America Corp., Bank of America N.A. and Banc of America Securities Ltd., in conjunction with Parmalat, issued statements that contained these false and/or misleading statements and omitted to disclose material facts to make the statements made not misleading, including but not limited to bond offering materials and jointly or collectively authored press releases.

1178. Citigroup Inc., Citibank N.A., Bank of America Corp., Bank of America N.A. and Banc of America Securities Ltd. engaged in the fraudulent activity described above knowingly and intentionally, or in such an extremely reckless manner as to constitute willful deceit and fraud upon Plaintiffs. Citigroup Inc., Citibank N.A., Bank of America Corp., Bank of America N.A. and Banc of America Securities Ltd. knowingly caused Parmalat's and their own reports and statements to contain misrepresentations and omissions of material fact as alleged herein.

1179. As a result of the fraudulent activities of Citigroup Inc., Citibank N.A., Bank of America Corp., Bank of America N.A. and Banc of America Securities Ltd. described above, in conjunction with the activities of the other defendants, the prices of Parmalat securities were artificially inflated during at least the Class Period.

1180. In ignorance of Parmalat's true financial condition, Plaintiffs, relying upon the integrity of the market price for Parmalat's securities and/or the statements and reports of Parmalat containing false and misleading information, purchased or otherwise acquired Parmalat securities at artificially inflated prices during the Class Period.

1181. But for the fraud, none of the securities that were brought to market could have been sold at any price and those securities that were traded in the market would not have been purchased at these artificially inflated prices.

1182. The market prices for Parmalat's securities declined materially upon the public disclosure of the true facts which had been misrepresented or concealed as alleged herein.

1183. As a direct and proximate result of the false and misleading statements and omissions of Citigroup Inc., Citibank N.A., Bank of America Corp., Bank of America N.A. and Banc of America Securities Ltd., Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which the defendants named in this Count are jointly and severally liable.

COUNT XIV
Violation of Section 20(a) of the Exchange Act
(Against Citigroup Inc.)

1184. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1185. This Count is brought pursuant to Section 20(a) of the Exchange Act on behalf of Plaintiffs and the Class against Citigroup Inc.

1186. As set forth above, subsidiaries, affiliates and employees of Citigroup, Inc., including but not limited to, Citibank N.A., Buconero LLC, Eureka Plc and Vialattea LLC, committed primary violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by virtue of the plan, scheme and course of conduct set forth herein.

1187. Citigroup, Inc. acted as a controlling person of Citibank N.A., Buconero LLC, Eureka Plc and Vialattea LLC within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of ownership, superior position, and contractual rights, Citigroup, Inc. had the power to influence and control and did influence and control, directly or indirectly, the conduct and decision making of Citibank N.A., Buconero LLC, Eureka Plc and Vialattea LLC. Citigroup, Inc. had knowledge of and/or had unlimited access to or was provided with copies of internal reports and other documents alleged by Plaintiffs to be used in furtherance of the plan,

scheme and course of conduct set forth herein, and had the ability to prevent the scheme and fraudulent course of conduct.

1188. Citigroup Inc. had direct involvement in the day-to-day operations of the Citibank N.A., Buconero LLC, Eureka Plc and Vialattea LLC with respect their transactions with Parmalat-related entities and, therefore, is presumed to have had the power to control or influence the particular conduct giving rise to the securities law violations, and exercised that power, as set forth herein.

1189. By virtue of its position as a controlling person of Citibank N.A., Buconero LLC, Eureka Plc and Vialattea LLC Citigroup, Inc. is liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of the Citigroup Inc.'s wrongful conduct, Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which Citigroup Inc. is jointly and severally liable.

COUNT XV
Violation of Section 20(a) of the Exchange Act
(Against Citibank N.A.)

1190. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1191. This Count is brought pursuant to Section 20(a) of the Exchange Act on behalf of Plaintiffs and the Class against Citibank N.A. (“Citibank”).

1192. As set forth above, subsidiaries, affiliates and employees of Citibank, including but not limited to, Buconero LLC, Eureka Plc and Vialattea LLC, committed primary violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by virtue of the plan, scheme and course of conduct set forth herein.

1193. Citibank acted as a controlling person of Buconero LLC, Eureka Plc and Vialattea LLC within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of its

ownership, executive positions, superior positions, and contractual rights, Citibank had the power to influence and control and did influence and control, directly or indirectly, the decision making of Buconero LLC, Eureka Plc and Vialattea LLC. Citibank had knowledge of and/or had unlimited access to or was provided with copies of internal reports and other documents alleged by Plaintiffs to be used in furtherance of the plan, scheme and course of conduct set forth herein, and had the ability to prevent the scheme and fraudulent course of conduct.

1194. Citibank had direct involvement in the day-to-day operations of Buconero LLC, Eureka Plc and Vialattea LLC and, therefore, is presumed to have had the power to control or influence the particular conduct giving rise to the securities law violations, and exercised that power, as set forth herein.

1195. By virtue of Citibank's position as a controlling person of Buconero LLC, Eureka Plc and Vialattea LLC, Citibank N.A. is liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Citibank's wrongful conduct, Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which Citibank is jointly and severally liable.

COUNT XVI
Violation of Section 20(a) of the Exchange Act
(Against Bank of America Corp.)

1196. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1197. This Count is brought pursuant to Section 20(a) of the Exchange Act on behalf of Plaintiffs and the Class against Bank of America Corp.

1198. As set forth above, subsidiaries, affiliates and employees of Bank of America Corp., including but not limited to Bank of America N.A., Banc of America Securities Ltd., Bank of America International Ltd., Banc of America Securities LLC, Sala, Luzi and Moncada,

committed primary violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by virtue of the plan, scheme and course of conduct set forth herein.

1199. Bank of America Corp. acted as a controlling person of Bank of America N.A., Banc of America Securities Ltd., Bank of America International Ltd., Banc of America Securities LLC, and its agents and employees, including but not limited to Sala, Luzi and Moncada, within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of its ownership, superior position, and contractual rights, Bank of America Corp. had the power to influence and control and did influence and control, directly or indirectly, the decision making of Bank of America N.A., Banc of America Securities Ltd., Bank of America International Ltd., Banc of America Securities LLC, Sala, Luzi and Moncada. Bank of America Corp. was provided with or had unlimited access to copies of internal documents, reports, press releases, public filings and other statements alleged by Plaintiffs to be misleading and used in furtherance of the plan, scheme and course of conduct set forth herein, and had the ability to prevent the issuance of the false and misleading statements or to cause the statements to be corrected, as well as prevent the scheme and fraudulent course of conduct from being perpetrated.

1200. Bank of America Corp. had direct involvement in the day-to-day operations of Bank of America N.A., Banc of America Securities Ltd., Bank of America International Ltd. and Banc of America Securities LLC with respect to transactions with Parmalat-related entities and is therefore presumed to have had the power to control or influence the particular conduct giving rise to the securities law violations, and exercised that power, as set forth herein.

1201. By virtue of its position as a controlling person of Bank of America N.A., Banc of America Securities Ltd., Bank of America International Ltd., Banc of America Securities LLC, Sala, Luzi and Moncada, Bank of America Corp. is liable pursuant to Section 20(a) of the

Exchange Act. As a direct and proximate result of Bank of America Corp.'s wrongful conduct, Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which Bank of America Corp. is jointly and severally liable.

COUNT XVII
Violation of Section 20(a) of the Exchange Act
(Against Bank of America N.A.)

1202. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1203. This Count is brought pursuant to Section 20(a) of the Exchange Act on behalf of Plaintiffs and the Class against Bank of America N.A.

1204. As set forth above, subsidiaries, affiliates and employees of Bank of America N.A., including but not limited to Banc of America Securities Ltd., Bank of America International Ltd., Banc of America Securities LLC, Sala, Luzi and Moncada, committed primary violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by virtue of the plan, scheme and course of conduct set forth herein.

1205. Bank of America N.A. acted as a controlling person of Banc of America Securities Ltd., Bank of America International Ltd., Banc of America Securities LLC, and its agents and employees, including but not limited to Sala, Luzi and Moncada, within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of its ownership, superior position, and contractual rights, Bank of America N.A. had the power to influence and control and did influence and control, directly or indirectly, the decision making of Banc of America Securities Ltd., Bank of America International Ltd., Banc of America Securities LLC, Sala, Luzi and Moncada. Bank of America N.A. was provided with or had unlimited access to copies of internal documents, reports, press releases, public filings and other statements alleged by Plaintiffs to be misleading and used in furtherance of the plan, scheme and course of conduct set

forth herein, and had the ability to prevent the issuance of the false and misleading statements or to cause the statements to be corrected, as well as prevent the scheme and fraudulent course of conduct from being perpetrated.

1206. Bank of America N.A. had direct involvement in the day-to-day operations of Banc of America Securities Ltd., Bank of America International Ltd. and Banc of America Securities LLC with respect to transactions with Parmalat-related entities and is therefore presumed to have had the power to control or influence the particular conduct giving rise to the securities law violations, and exercised that power, as set forth herein.

1207. By virtue of its position as a controlling person of Banc of America Securities Ltd., Bank of America International Ltd., Banc of America Securities LLC, Sala, Luzi and Moncada, Bank of America N.A. is liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Bank of America N.A.'s wrongful conduct, Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which Bank of America N.A. is jointly and severally liable.

COUNT XVIII
Violation of Section 20(a) of the Exchange Act
(Against Banc of America Securities Ltd.)

1208. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1209. This Count is brought pursuant to Section 20(a) of the Exchange Act on behalf of Plaintiffs and the Class against Banc of America Securities Ltd.

1210. As set forth above, subsidiaries, affiliates and employees of Banc of America Securities Ltd., and its predecessor Bank of America Securities International Ltd., including but not limited to Sala, Luzi and Moncada, committed primary violations of Section 10(b) of the

Exchange Act and Rule 10b-5 promulgated thereunder by virtue of the plan, scheme and course of conduct set forth herein.

1211. Banc of America Securities Ltd., on its own and as successor to Bank of America International Ltd., acted as a controlling person of its agents and employees, including but not limited to Sala, Luzi and Moncada, within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of its employer status, superior position, and contractual rights, Banc of America Securities Ltd. had the power to influence and control and did influence and control, directly or indirectly, the decision making of Sala, Luzi and Moncada. Banc of America Securities Ltd. was provided with or had unlimited access to copies of internal documents, reports, press releases, public filings and other statements alleged by Plaintiffs to be misleading and used in furtherance of the plan, scheme and course of conduct set forth herein, and had the ability to prevent the issuance of the false and misleading statements or to cause the statements to be corrected, as well as prevent the scheme and fraudulent course of conduct from being perpetrated.

1212. Banc of America Securities Ltd., directly and as successor to Bank of America International Ltd., employed Sala, Luzi and Moncada and therefore is presumed to have had the power to control or influence the particular conduct giving rise to the securities law violations, and exercised that power, as set forth herein.

1213. By virtue of its position as a controlling person of Sala, Luzi and Moncada, Banc of America Securities Ltd. is liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Banc of America Securities Ltd.'s wrongful conduct, Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which Banc of America Securities Ltd. is jointly and severally liable.

COUNT XIX
Violation of Section 20(a) of the Exchange Act
(Against Banca Nazionale del Lavoro S.p.A.)

1214. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1215. This Count is brought pursuant to Section 20(a) of the Exchange Act on behalf of Plaintiffs and the Class against Banca Nazionale del Lavoro S.p.A. (“BNL”).

1216. As set forth above, subsidiaries, affiliates and employees of BNL, including but not limited to, Ifitalia S.p.A. (“Ifitalia”), committed primary violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by virtue of the plan, scheme and course of conduct set forth herein.

1217. BNL acted as a controlling person of Ifitalia (and its employees) within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of ownership and superior position, BNL had the power to influence and control and did influence and control, directly or indirectly, the conduct and decision making of Ifitalia. BNL had knowledge of and/or had unlimited access to or was provided with copies of internal reports and other documents alleged by Plaintiffs to be used in furtherance of the plan, scheme and course of conduct set forth herein, and had the ability to prevent the scheme and fraudulent course of conduct.

1218. BNL had direct involvement in the day-to-day operations of Ifitalia with respect its transactions with Parmalat-related entities and, therefore, is presumed to have had the power to control or influence the particular conduct giving rise to the securities law violations, and exercised that power, as set forth herein.

1219. By virtue of its position as a controlling person of Ifitalia (and its employees), BNL is liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of

the BNL's wrongful conduct, Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which BNL is jointly and severally liable.

COUNT XX
Violation of Section 10(b) of the Exchange Act
and Rules 10b-5(a) and 10b-5(c) Promulgated Thereunder
(Against BBLP Pavia e Ansaldo, Zini & Associates P.C. and Gian Paolo Zini)

1220. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1221. This Count is brought pursuant to Section 10(b) of the Exchange Act, Rule 10b-5(a) and Rule 10b-5(c) promulgated thereunder on behalf of the Class against defendants BBLP Pavia e Ansaldo and Zini & Associates, P.C. (the "Law Firm Defendants") and Gian Paolo Zini ("Zini").

1222. The Law Firm Defendants and Zini employed devices, schemes and artifices to defraud and engaged in acts, practices and a course of business that operated as a fraud and deceit upon the purchasers and acquirers of Parmalat securities in order to maintain artificially high market prices for Parmalat's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5(a) and Rule 10b-5(c).

1223. During the Class Period, the Law Firm Defendants and Zini carried out a plan, scheme and course of conduct which was intended to and did: (a) deceive the investing public, including Plaintiffs, as alleged herein; (b) artificially create, inflate and maintain the market for and market prices of Parmalat's securities; and (c) cause Plaintiffs to purchase or otherwise acquire Parmalat securities at artificially inflated prices. In furtherance of this unlawful plan, scheme and course of conduct, the Law Firm Defendants and Zini took the actions set forth herein.

1224. Among other things, the Law Firm Defendants and Zini acted as the legal conduit for the wrongful conduct set forth herein, proposing and implementing the improper transactions and related accounting and providing the documentation used in structuring and disguising the manipulative and fraudulent transactions. In this role, the Law Firm Defendants and Zini knew or were extremely reckless in not knowing, that the manipulations were undertaken in order to fraudulently boost Parmalat's reported assets and earnings and reduce its reported liabilities.

1225. The Law Firm Defendants and Zini engaged in the fraudulent activity described above knowingly and intentionally, or in such extremely reckless manner as to constitute willful deceit and fraud upon Plaintiffs.

1226. As a result of the fraudulent activities of the Law Firm Defendants and Zini described above, in conjunction with the activities of the other defendants, the prices of Parmalat securities were artificially inflated during at least the Class Period.

1227. In ignorance of Parmalat's true financial condition, Plaintiffs, relying upon the integrity of the market price for Parmalat's securities, purchased or otherwise acquired Parmalat securities at artificially inflated prices during the Class Period.

1228. But for the fraud, none of the securities that were brought to market could have been sold at any price and those securities that were traded in the market would not have been purchased at these artificially inflated prices.

1229. The market prices for Parmalat's securities declined materially upon the public disclosure of the true facts which had been misrepresented or concealed as alleged herein.

1230. As a direct and proximate result of the wrongful conduct of the Law Firm Defendants and Zini, Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which the defendants named in this Count are jointly and severally liable.

COUNT XXI
Violation of Section 10(b) of the Exchange Act
and Rule 10b-5(b) Promulgated Thereunder
(Against BBLP Pavia e Ansaldo, Zini & Associates and Gian Paolo Zini)

1231. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1232. This Count is brought pursuant to Section 10(b) of the Exchange Act and Rule 10b-5(b) promulgated thereunder on behalf of Plaintiffs and the Class against the Law Firm Defendants and Zini.

1233. The Law Firm Defendants and Zini made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading, by use of means or instrumentalities of interstate commerce in order to maintain artificially high market prices for Parmalat's securities and create a market therefore in violation of Section 10(b) of the Exchange Act and Rule 10b-5(b).

1234. During the Class Period, the Law Firm Defendants and Zini made false and misleading statements of material fact which were intended to and did: (a) deceive the investing public, including Plaintiffs, as alleged herein; (b) artificially inflate and maintain the market prices of Parmalat's securities; and (c) cause Plaintiffs to purchase or otherwise acquire Parmalat securities at artificially inflated prices. In furtherance of this unlawful plan, scheme and course of conduct, the Law Firm Defendants and Zini took the actions set forth herein.

1235. The Law Firm Defendants and Zini acted as legal advisors to Parmalat and its subsidiaries and structured many of the transactions undertaken in order to fraudulently boost Parmalat's reported assets and earnings and reduce its liabilities. Zini, and from 1998 to 2001, Pavia, and from 2001 to the end of the Class Period, Zini & Associates, each created and designed entities and transactions that allowed Parmalat to disguise debt as equity or that, with

their knowledge and tacit consent, were otherwise inaccurately reported by Parmalat in its financial reports and public statements. By virtue of their roles as legal advisors to Parmalat and its subsidiaries and the agent thereof, the Law Firm Defendants and Zini had access to confidential corporate financial and business information and knew or were extremely reckless in not knowing of the Company's true financial condition. Yet, despite this access and knowledge, the Law Firm Defendants and Zini knowingly designed and instituted, or with extreme recklessness disregarded the true nature of, the accounting manipulations and other schemes undertaken in order to fraudulently boost Parmalat's reported assets and earnings and reduce its liabilities. The Law Firm Defendants and Zini, in conjunction with Parmalat, prepared and issued statements that contained these false and/or misleading statements and omitted to disclose material facts to make the statements made not misleading, including but not limited to bond offering materials and jointly authored press releases.

1236. The Law Firm Defendants and Zini engaged in the fraudulent activity described above knowingly and intentionally, or in such extremely reckless manner as to constitute willful deceit and fraud upon Plaintiffs. The Law Firm Defendants and Zini knowingly caused Parmalat's reports and statements to contain misrepresentations and omissions of material fact as alleged herein.

1237. As a result of the fraudulent activities of The Law Firm Defendants and Zini described above, in conjunction with the activities of the other defendants, the prices of Parmalat securities were artificially inflated during at least the Class Period.

1238. In ignorance of Parmalat's true financial condition, Plaintiffs, relying upon the integrity of the market price for Parmalat's securities and/or the statements and reports of

Parmalat containing false and misleading information, purchased or otherwise acquired Parmalat securities at artificially inflated prices during the Class Period.

1239. But for the fraud, none of the securities that were brought to market could have been sold at any price and those securities that were traded in the market would not have been purchased at these artificially inflated prices.

1240. The market prices for Parmalat's securities declined materially upon the public disclosure of the true facts which had been misrepresented or concealed as alleged herein.

1241. As a direct and proximate result of the false and misleading statements and omissions of The Law Firm Defendants and Zini, Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which The Law Firm Defendants and Zini are jointly and severally liable.

COUNT XXII
Violation of Section 20(a) of the Exchange Act
(Against Zini)

1242. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1243. This Count is brought pursuant to Section 20(a) of the Exchange Act on behalf of Plaintiffs and the Class against Zini.

1244. As set forth above, the law firms for which Zini was a principal, BBLP Pavia e Ansaldo and Zini & Associates, committed primary violations of Section 10(b) and Rule 10b-5 promulgated thereunder by virtue of the plan, scheme and course of conduct set forth herein.

1245. Zini acted as a controlling person of Pavia, from before the beginning of the Class Period to 2001, and of Zini & Associates, from 2001 to the end of the Class Period, within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of his founding, principal and oversight position with the Law Firm Defendants, Zini had the power to influence

and control and did influence and control, directly or indirectly, the actions and decision making of the Law Firm Defendants and the actions of their employees.

1246. Zini had direct involvement in and oversight of the day-to-day operations and activities of the Law Firm Defendants and their employees with respect to Parmalat-related activities and therefore is presumed to have had the power to control or influence the particular conduct giving rise to the securities law violations, and exercised that power, as set forth herein.

1247. By virtue of its position as a controlling person of the Law Firm Defendants, Zini is liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Zini's wrongful conduct, Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which Zini is jointly and severally liable.

COUNT XXIII
Violation of Section 20(a) of the Exchange Act
(Against BBLP Pavia e Ansaldo)

1248. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1249. This Count is brought pursuant to Section 20(a) of the Exchange Act on behalf of Plaintiffs and the Class against BBLP Pavia e Ansaldo.

1250. As set forth above, Zini committed primary violations of Section 10(b) and Rule 10b-5 promulgated thereunder by virtue of the plan, scheme and course of conduct set forth herein.

1251. Pavia acted as a controlling person of Zini, from before the beginning of the Class Period to 2001, within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of its structure, ownership, employer status and contractual relationships with its partners, Pavia had the power to influence and control and did influence and control, directly or indirectly, the actions and decision making of Zini and its other partners and employees.

1252. From the beginning of the Class Period to 2001, Pavia had direct involvement in and oversight of the day-to-day activities of Zini and its other partners and employees with respect to services they performed on behalf of Pavia for Parmalat related entities, and therefore is presumed to have had the power to control or influence the particular conduct giving rise to the securities law violations, and exercised that power, as set forth herein.

1253. By virtue of its position as a controlling person of Zini and its other partners and employees from the beginning of the Class Period to 2001, Pavia is liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Pavia's wrongful conduct, Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which Pavia is jointly and severally liable.

COUNT XXIV
Violation of Section 20(a) of the Exchange Act
(Against Zini & Associates, P.C.)

1254. Plaintiffs repeat and allege the allegations contained in paragraphs 1 through 1069 above as if fully set forth herein.

1255. This Count is brought pursuant to Section 20(a) of the Exchange Act on behalf of Plaintiffs and the Class against Zini & Associates.

1256. As set forth above, Zini committed primary violations of Section 10(b) and Rule 10b-5 promulgated thereunder by virtue of the plan, scheme and course of conduct set forth herein.

1257. Zini & Associates acted as a controlling person of Zini, from 2001 to the end of the Class Period, within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of its structure, ownership, employer status and contractual relationships with its partners, Zini & Associates had the power to influence and control and did influence and control, directly or indirectly, the actions and decision making of Zini and its other partners and employees.

1258. From 2001 to the end of the Class Period, Zini & Associates had direct involvement in and oversight of the day-to-day activities of Zini and its other partners and employees with respect to services they performed on behalf of Zini & Associates for Parmalat related entities, and therefore is presumed to have had the power to control or influence the particular conduct giving rise to the securities law violations, and exercised that power, as set forth herein.

1259. By virtue of its position as a controlling person of Zini and its other partners and employees from 2001 to the end of the Class Period, Zini & Associates is liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Zini & Associates's wrongful conduct, Plaintiffs suffered damages in connection with their respective purchases of Parmalat securities for which Zini & Associates is jointly and severally liable.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray for relief and judgment, as follows:

- A. Determining that this action is a proper class action, and certifying Plaintiffs as class representatives under Rule 23 of the Federal Rules of Civil Procedure;
- B. Awarding compensatory damages in favor of Plaintiffs and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of the Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- C. Awarding Plaintiffs and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees;
- D. Compelling the Defendants to disgorge all proceeds they realized from their illegal insider trading;
- E. Restitution of investors' monies of which they were defrauded; and

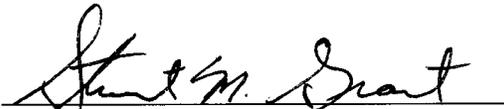
F. Awarding such other and further relief as the Court may deem just and proper.

JURY DEMAND

Plaintiffs hereby demand a trial by jury on all claims so triable.

Dated this 18th day of October, 2004

GRANT & EISENHOFER, P.A.

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