

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

v.

CATHERINE R. McENROE,  
NOREEN O'LOUGHLIN and  
MARTIN R. VON RUDEN,

Defendants.

U.S. DISTRICT COURT

★ JAN 22 2009

Civil Action No. \_\_\_\_\_

LONG ISLAND OFFICE

(NYS)

CV 09 0249

COMPLAINT

WEXLER, J.

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against Catherine R. McEnroe, Noreen O'Loughlin and Martin R. von Ruden ("Defendants"), alleges as follows:

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PRELIMINARY STATEMENT

1. From at least 1999 through mid-2003, contrary to Generally Accepted Accounting Principles ("GAAP"), Cablevision recognized certain expenses as current expenses when, in fact, the expenses should not have been recognized in those periods. These improper "prepays," as the practice was referred to, occurred because employees prepared and submitted inaccurate invoices and other documents in order to accrue expenses earlier than when they in fact should have been accrued. Defendants directed or were aware of these prepays. These improperly recognized expenses were reflected in Cablevision's books, records and accounts and caused Cablevision to overstate expenses in earlier fiscal periods and understate expenses in later periods. As a result, Cablevision's reports to the public and the Commission for the period 1999

through mid-2003 were inaccurate, causing Cablevision in 2004 to restate its financial statements from 2000 through the nine months ended September 30, 2003.

### **JURISDICTION AND VENUE**

2. The Commission brings this action pursuant to the authority conferred upon it by Section 21 of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78u, seeking civil monetary penalties.

3. The Defendants, directly and indirectly, have used the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange, in connection with the transactions, acts, practices, and courses of business alleged herein.

4. Certain of these transactions, acts, practices and courses of business occurred in the Eastern District of New York, including conduct by the Defendants at Cablevision's offices in Bethpage, New York.

5. Accordingly, this Court has jurisdiction over this action, and venue is proper in this district, pursuant to Sections 21 and 27 of the Exchange Act, 15 U.S.C. §§ 78u and 78aa.

### **DEFENDANTS**

6. Defendant Catherine R. McEnroe served as president of AMC Networks from April 1996 through June 2003, when she left Cablevision in connection with the matters described herein.

7. Defendant Noreen O'Loughlin served as Executive Vice President and General Manager of Marketing of AMC Networks from April 1998 to July 2000, and as Executive Vice President and General Manager of AMC from January 2002 through June 2003, when she left Cablevision in connection with the matters described herein.

8. Defendant Martin R. von Ruden served as Senior Vice President and General Manager of WE from 1998 until late 2000, and as Executive Vice President and General Manager of WE from late 2000 until June 2003, when he left Cablevision in connection with the matters described herein.

#### **RELATED ENTITIES**

9. Cablevision Systems Corporation (“Cablevision”) is a Delaware corporation located in Bethpage, New York. Cablevision is a diversified entertainment and telecommunications company with a market capitalization of approximately \$8.05 billion in 2007 and 2007 annual revenues of \$6.484 billion. Cablevision’s stock is registered under Section 12(b) of the Exchange Act and is listed on the New York Stock Exchange.

10. Rainbow Media Holdings, Inc. (“Rainbow”), during the relevant period, was a subsidiary of Cablevision that owned interests in and managed national and regional entertainment programming networks, the Madison Square Garden sports and entertainment business and cable television advertising sales companies. At all relevant times, the financial statements of Rainbow and its majority-owned business units were consolidated into Cablevision’s financial reports

11. AMC Networks, during the relevant period, was a business unit of Rainbow. It included at least two sub-units, including the television programming networks known as AMC (formerly known as American Movie Classics Company) and WE: Women’s Entertainment (“WE”).

### **IMPROPER PREPAYS**

12. As described in paragraph 1 above, from at least 1999 through mid-2003, contrary to Generally Accepted Accounting Principles (“GAAP”), Cablevision recognized certain expenses as current expenses when, in fact, the expenses should not have been recognized in those periods. A large part of these improper prepays occurred at business units of Cablevision’s Rainbow subsidiary, namely AMC Networks and its sub-units AMC and WE. AMC Networks prematurely recognized, and caused Cablevision to improperly recognize, expenses totaling approximately \$12 million in both 1999 and 2000, \$10 million in 2001 and \$9 million in 2002.

13. While Defendants worked at AMC Networks or its sub-units, their subordinates used several different improper means to recognize expenses in a current period that properly should have been recognized in a later period. For example, the subordinates asked vendors to submit misdated invoices for vaguely defined services, which had not yet been rendered, and used these invoices to achieve early expense recognition and payment. These invoices were submitted to Cablevision’s accounting department with Authorization for Payment Forms (APFs), in some cases signed by Defendants, that inaccurately identified the expenses as current expenses. In addition, AMC Networks employees on occasion asked Cablevision’s accounting department to send checks to the employees, ostensibly for delivery by the employee to the vendor. This practice permitted AMC networks to hold payment until anticipated services were actually rendered, in violation of fundamental internal accounting controls. The purpose of these prepay practices was to provide a “margin of error” each year for meeting AMC Networks’ internally budgeted allowance for expenses.

14. Defendant McEnroe, while serving as President of AMC Networks, directed and was aware of improper prepaids and signed inaccurate APFs that caused improper prepaids. These prepaids resulted in Cablevision overstating expenses in earlier fiscal periods and understating expenses in later periods and rendered inaccurate Cablevision's financial reports to the Commission and the public for the years 1999 through mid-2003.

15. Defendant O'Loughlin, while serving as Executive Vice President and General Manager of Marketing of AMC Networks and as Executive Vice President and General Manager of AMC, directed and was aware of improper prepaids and signed inaccurate APFs that caused improper prepaids. These prepaids resulted in Cablevision overstating expenses in earlier fiscal periods and understating expenses in later periods and rendered inaccurate Cablevision's financial reports to the Commission and the public for the years 1999 through mid-2003.

16. Defendant von Ruden, while serving as Senior Vice President and General Manager of WE and as Executive Vice President and General Manager of WE, directed and was aware of improper prepaids and signed inaccurate APFs that caused improper prepaids. These prepaids resulted in Cablevision overstating expenses in earlier fiscal periods and understating expenses in later periods and rendered inaccurate Cablevision's financial reports to the Commission and the public for the years 1999 through mid-2003.

**FIRST CLAIM FOR RELIEF**  
**Section 13(b)(5) of the Exchange Act,**  
**15 U.S.C. § 78m(b)(5)**

17. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 16.

18. As a result of the conduct described above, Defendants violated Section 13(b)(5) of the Exchange Act, 15 U.S.C. § 78m(b)(5), which provides that no person shall knowingly circumvent or knowingly fail to implement a system of internal accounting controls, or knowingly falsify any book, record or account described in Section 13(b)(2) of the Exchange Act, 15 U.S.C. § 78m(b)(2).

**SECOND CLAIM FOR RELIEF**  
**Rule 13b2-1 of the Exchange Act,**  
**17 C.F.R. § 240.13b2-1**

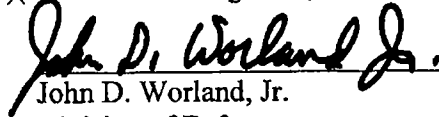
19. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 18.

20. As a result of the conduct described above, Defendants violated Rule 13b2-1 of the Exchange Act, 17 C.F.R. § 240.13b2-1, which prohibits any person from, directly or indirectly, falsifying or causing to be falsified any book, record or account subject to Section 13(b)(2)(A) of the Exchange Act, 15 U.S.C. § 78m(b)(2)(A).

**PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that the Court enter a final judgment requiring that defendants McEnroe, O'Loughlin and von Ruden each pay a civil monetary penalty pursuant to Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

Dated: January 21, 2009

  
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