



*United States Attorney
Southern District of New York*

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**DEFENDANT INDICTED IN 1992 PLEADS GUILTY TO SECURITIES
FRAUD CHARGES AFTER BEING LOCATED IN COSTA RICA
AND EXTRADITED TO THE UNITED STATES**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that ALLAN STONE, who was indicted in 1992 on securities fraud and other charges and was extradited from Costa Rica to the United States last month, pleaded guilty today to securities fraud charges in connection with his scheme to misrepresent his ownership in and operation of multiple public companies. STONE, 62, of New York, N.Y., pleaded guilty in Manhattan federal court before United States District Judge LEWIS A. KAPLAN. According to the Indictment to which STONE pleaded and other filings in the case:

Between 1987 and 1989, STONE, co-conspirators JOHN MALESKO, JAMES HODGES, IRWIN ROTHBARD, and others engaged in an illegal scheme to deceive investors as well as the Securities and Exchange Commission in connection with the initial public offerings of the following companies, none of which generated any revenue: Classic Capital Corporation; Regency Resources, Inc.; Harvard Technology, Ltd.; Harvard Resources; Venus Ventures, Ltd.; and Wellington Group I, Inc. (the "Public Companies"). As part of their scheme, STONE and his co-conspirators opened and controlled brokerage accounts in the names of friends and relatives to conceal their ownership in the Public Companies. By concealing their beneficial ownership in these companies and making other misrepresentations to investors, STONE and his co-conspirators raised hundreds of thousands of dollars through initial public offerings, and raised additional funds thereafter by illegally requiring investors to sell a portion of their initial investments in the form of warrants -- which give the holder the right to purchase a stock at a certain price -- to STONE and his co-conspirators. Most of the proceeds from these fraudulent sales were transferred to offshore nominee bank

accounts in the names of STONE's friends and family, and then were wired from these offshore accounts to personal bank accounts in the United States in the names of STONE and his co-conspirators. Through these fraudulent schemes, STONE and his co-conspirators were able to misappropriate over \$2 million for their personal use.

In August 1987, STONE helped cause one of the Public Companies, Classic Capital Corporation, to enter into a consulting agreement with a company owned and controlled by STONE and a co-conspirator. STONE later became the president of Classic Capital and paid himself a salary in excess of \$100,000 per year, even though the company's only asset was the proceeds from the sale of the warrants. STONE also issued checks from Classic Capital's account for the following personal items: (1) \$26,000 payable to cash; (2) \$17,000 to pay for the rent of STONE's apartment; (3) \$15,000 for furniture delivered to STONE's apartment; (4) \$14,000 for clothing and jewelry; and (5) \$6,000 in payments to STONE's personal credit card account.

Shortly before STONE was indicted in 1992, he left the United States and went to Costa Rica. In 1992 and again in 2006, arrest warrants were issued for STONE. In August 2006, at the request of the United States, STONE was arrested in Costa Rica based on the arrest warrants against him, and unsuccessfully fought extradition to the United States for over a year. Approximately 15 years after Stone was indicted, on October 26, 2007, Stone was returned to the United States to face the securities fraud and other charges against him.

STONE pleaded guilty to one count of conspiracy to commit securities fraud and six additional accounts of securities fraud in connection with the initial public offerings of the Public Companies. Each charges carries a maximum penalty of five years in prison and a \$250,000 fine. STONE is tentatively scheduled to be sentenced by Judge KAPLAN on Tuesday, November 13, 2007 at 4:45 p.m..

In 1992, MALESKO, HODGES, and ROTHBARD were arrested in the U.S. following the Indictment. MALESKO and HODGES pleaded guilty on September 17, 1992; ROTHBARD pleaded guilty on September 25, 1992. On December 3, 1992, Judge LOUIS J. FREEH sentenced MALESKO on counts 1, 22 and 23 to a term of 18 months in prison on each count, to run concurrently, and sentenced HODGES to 2 years' probation on count 2. Judge FREEH sentenced ROTHBARD on count 1 to 21 months in prison on December 11, 1992.

If you believe you were a victim of these crimes, and you wish to provide information to law enforcement and/or receive

notice of future developments in the case or additional information, please consult the following website:
www.usdoj.gov/usao/nys/victimwitness.html.

Special Assistant United States Attorney RHONDA JUNG and Assistant United States Attorneys REED MICHAEL BRODSKY and MARC P. BERGER are in charge of the prosecution.

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