



The United States Attorney's Office

District of New Jersey

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Office of Public Affairs

Defendant Arrested on Conspiracy to Commit Securities Fraud

NEWARK, N.J. – Federal agents arrested the alleged organizer of an international securities fraud ring employing hackers, botnet operators and e-mail spam distributors today for conspiring to artificially inflate the value of stocks through the scheme, U.S. Attorney Paul J. Fishman announced.

Christopher Rad, 42, of Cedar Park, Texas, was arrested this afternoon by FBI special agents on a federal Indictment charging him with one count of conspiracy to commit securities fraud and transmit multiple commercial e-mail messages with fraudulent information. The defendant is scheduled for an initial appearance and bail hearing this afternoon before U.S. Magistrate Judge Robert L. Pitman in Austin, Texas federal court.

James Bragg, 42, of Chandler, Ariz., pleaded guilty on October 20, 2010, before U.S. District Judge Joel A. Pisano in Trenton, N.J., federal court for his role in hiring botnet operators and engaging in mass e-mail campaigns to pump up the value of stock prior to dumping shares.

According to the Indictment unsealed today, other documents filed in this case, and statements made in Newark and Trenton federal court:

Rad conspired with stock promoters in a scheme to manipulate the price and volume of particular stocks, including stocks with ticker symbols RSUV and VSHE (the “Manipulated Stocks”), in order to later sell them at an artificially inflated price – a practice known as a “pump and dump” scheme. The scheme began as early as November 2007 and continued through February 2009. After conspiring with the stock promoters, Rad organized others to manipulate the stock price.

During his plea hearing, Bragg admitted that as part of his conspiracy with Rad he hired hackers and spammers, including an individual in Russia referred to in the Information as “B.T.” The hackers distributed computer viruses to infect computers around the world and create a virtual army of computers, or “botnet.” The hackers then caused the botnets to distribute spam to

promote the Manipulated Stocks. Some of the targeted victim-investors were residents of New Jersey.

In addition to relying on unsuspecting investors to buy into the spam promotions, the hackers also hacked into the brokerage accounts of third parties, liquidated the stocks in those accounts, and then used those accounts to purchase shares of the Manipulated Stocks. This created trading activity in the Manipulated Stocks and increased the volume of shares being traded, further creating an impression that the Manipulated Stocks were worth purchasing.

Rad also agreed with others to trade the Manipulated Stocks between themselves, creating the impression that the stocks were active. In some instances this was done prior to the spam campaigns so that recipients of the spam would perceive active trading in the promoted stocks.

A stock promoter who was also part of the conspiracy falsified documents submitted to attorneys in order to obtain opinion letters to secure millions of freely-trading shares in those stocks. Those letters certified that trading restrictions on shares of the Manipulated Stocks could be lifted because certain conditions set forth in securities regulations were met.

The conspiracy count with which Rad was charged carries a maximum potential penalty of five years in prison and a \$250,000 fine.

U.S. Attorney Fishman credited special agents of the FBI, under the direction of Special Agent in Charge Michael B. Ward in Newark, with the investigation leading to the charges. He also thanked the U.S. Securities and Exchange Commission's Division of Enforcement.

The government is represented by Assistant U.S. Attorneys Christopher Kelly of the U.S. Attorney's

Office Economic Crimes Unit and Erez Liebermann, Deputy Chief of the Economic Crimes Unit and Chief of the Computer Hacking and Intellectual Property Section.

The charge and allegations contained in the Indictment are merely accusations, and the defendant is considered innocent unless and until proven guilty.

This case was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.