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NEW YORK BROKER INDICTED FOR ALLEGED ROLE IN INTERNATIONAL STOCK FRAUD SCHEME

Spam E-Mails Promoting Stocks Used to Artificially Inflate Prices; Scheme Generated $30 Million for Co-Conspirators

WASHINGTON - An indictment unsealed today in Detroit charges stock broker Gregg M. Berger of New York for his role in a wide-ranging fraud scheme to illegally pump-and-dump thinly-traded Chinese and Israeli stocks, announced Assistant Attorney General Lanny A. Breuer and U.S. Attorney for the Eastern District of Michigan Barbara L. McQuade.

The single count superseding indictment returned in the Eastern District of Michigan alleges that Berger, 47, conspired with Alan Ralsky, Francis Tribble, How Wai John Hui, Scott Bradley and others to carry out a sophisticated stock fraud scheme from January 2005 through December 2007. The indictment alleges that during the course of the scheme, Berger caused the sale of approximately 30 million shares of stock, generating approximately $30 million for his co-conspirators and more than $600,000 in commissions for himself. Ralsky, Tribble, Hui and Bradley have all been previously convicted and sentenced for their roles in the case.

“Pump and dump schemes undermine the integrity of our stock markets,” said Assistant Attorney General Breuer. “When stock brokers exploit their trusted positions to enrich themselves at the expense of innocent investors, as Mr. Berger is charged with doing here, we will pursue them vigorously.”

“Investor fraud schemes like this one prey on small investors and are motivated by greed,” said U.S. Attorney McQuade. “Financial fraud is an important priority so that we can protect victims and the integrity of our financial systems.”

The charges arose after a multi-year investigation led by agents from the FBI, with assistance from the U.S. Postal Inspection Service and the Internal Revenue Service, which revealed a sophisticated and extensive “pump and dump” operation in which the defendants sent spam e-mails to manipulate thinly-traded stocks. After the e-mail recipients bought the stock being promoted, thereby driving up the share price, Berger and his coconspirators profited by selling their existing shares at the newly inflated prices.

According to the indictment, Berger’s role was to act as the stock broker for the conspiracy. Berger allegedly established brokerage accounts for trading the stocks that were illegally promoted, arranged for shares of the stocks to be transferred into the brokerage accounts, executed stock trades at the direction of co-conspirator Tribble rather than the direction of the named account holders and transferred funds from the trading of the stocks to bank accounts controlled by the conspirators. Berger also allegedly routinely provided confidential account information, including trade amounts, prices, cash balances and wire transfer details to Tribble, Bradley and others involved in the scheme who were not entitled to such information, all without authorization from the named account holders.

The stocks artificially inflated and then sold by Berger and his co-conspirators included China World Trade Corporation, Pingchuan Pharmaceutical Inc., China Digital Media Corporation, World Wide Biotech and Pharmaceutical Co., China Mobility Solutions and m-Wise.

The indictment charges Berger with one count of conspiracy to commit securities fraud and wire fraud. It also seeks forfeiture of criminal proceeds. If convicted, Berger faces a maximum penalty of 25 years in prison, and a $250,000 fine. Berger is scheduled to be arraigned on Feb. 8, 2011, in U.S. District Court in Detroit.

An indictment is merely an allegation, and a defendant is presumed innocent unless proven guilty in a court of law.

In a related action, the U.S. Securities and Exchange Commission (SEC) today filed civil fraud charges against Berger as well as seven other individuals and three companies involved in the scheme. The SEC seeks permanent injunctions, disgorgement and civil penalties, and a penny stock bar against Berger for violations of the antifraud and registration provisions of the securities laws.

The case is being prosecuted by Assistant U.S. Attorney Terrence Berg for the Eastern District of Michigan and Senior Counsel Thomas Dukes of the Criminal Division’s Computer Crime and Intellectual Property Section.

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