U.S. Indicts 85 in $100 Million Stock Swindle

Nancy Siesel/The New York Times

United States Attorney Zachary W. Carter, in his Brooklyn office.

By JOSEPH P. FRIED

Federal officials announced yesterday the indictments of 85 people who they said had swindled thousands of unwary investors out of more than $100 million by manipulating the stocks of small and start-up companies. Three of the suspects have ties to organized crime, they said.

The schemes generally followed the outlines of what has become a classic approach to bilking less than vigilant investors: a group of swindlers buys the stocks of small companies and then induces brokers, through secret payoffs, to market them aggressively. Once the share price rises, they sell, leaving legitimate investors with huge losses.

Three separate schemes were involved, the longest running from 1991 to 1998, the investigators said. They added that two of the people charged are linked to the Colombo crime family, and one to a Russian crime group.

The officials said the involvement of these three underscored organized crime's continuing exploitation of the lucrative bull market on Wall Street. They said mobsters had sought new criminal opportunities after law enforcement efforts curbed their profits from the businesses they had traditionally infiltrated, like garbage hauling, the garment industry and the city's wholesale food and produce markets.

"The mob never saw a market it didn't want to control," said Lewis D. Schiliro, head of the Federal Bureau of Investigation's New York office. He joined officials of the Securities and Exchange Commission and other agencies in the Brooklyn office of Zachary W. Carter, the United States Attorney for the Eastern District of New York, where the indictments were announced.

The people named in the three indictments, which totaled more than 100 pages, included licensed and unlicensed brokers and sales people affiliated with what Federal law enforcement and securities officials said were nine small, corrupt brokerage firms that manipulated the stocks of about 20 companies.

The companies were involved with products like toys, clothing, drugs, computer-related equipment and, in one case, a new additive to automotive motor oil.

Their stocks were called "microcap" stocks because the companies had small market capitalizations, little or no revenue, a fairly low number of shares and a low volume of trading, which was not carried out on a major exchange, said Jonathan S. Sack, an assistant United States attorney in Brooklyn and one of the prosecutors in the cases.

He said that the companies traded their

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