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Officials Say Stock Scheme Raised Money for the Mob

NICHOLE M. CHRISTIAN

Charges are filed in Federal Court in Brooklyn, NY, against 20 people alleged to have ties to **Gambino** crime family, who participated in stock fraud scheme, ending three-year federal and state investigation; they are accused of strong-arming investors into buying and holding stocks that were essentially worthless (M)

Investigators who charged 20 people in a stock fraud scheme yesterday outlined a plot that seemed straight out of Hollywood, alleging that the 20 had worked with the **Gambino** crime family to bilk thousands of investors out of more than \$50 million, fraudulently selling stocks at inflated prices and threatening anyone who wanted out.

The charges are part of a three-year federal and state investigation of **First United Equities** Corporation, Lexington Capital and AGS Financial Group, all of which are accused of being fronts for the **Gambinos** and of strong-arming investors into buying and holding stocks that were essentially "worthless paper," the authorities said. F.B.I. agents arrested former brokers and managers of the firms yesterday in New York, New Jersey, Florida and California.

Two of the principals, Hunter Adams, 33, of Atlantic Beach, N.Y., and Michael Reiter, 31, of Merrick, N.Y., are known **Gambino** associates who actually managed the brokerage houses, said Loretta E. Lynch, the United States attorney for the Eastern District of New York.

The other major participants, she said, are Gregg Adams, 26, of Manhattan; Jason Cohen, 48, of Albertson, N.Y.; Robert Mangiarano, 27, of La Jolla, Calif.; and Jonathan D. Winston, 35, of Locust Valley, N.Y. They face charges of stock fraud and manipulation, wire and mail fraud and money laundering.

"What we see today is life imitating art, a combination of 'The Sopranos' and 'Boiler Room,' " New York Attorney General Eliot L. Spitzer said, referring to the HBO series and a Hollywood movie about a corrupt brokerage firm. "Only this isn't TV, this isn't Hollywood."

Ms. Lynch said thousands of victims across the country had been identified, from retirees and business executives to investment advisers. At least two people lost \$1.2 million in just 12 months of trading, she said. Scores of others invested tens of thousands of dollars, money that she said could be difficult to recover because much of it was laundered through international accounts. Some of the victims were described as well-known figures "who should have known better," but the authorities would not elaborate.

Under the scheme, which operated from February 1994 to March 1998, investors would receive a "cold call" from a broker promoting four companies: Ashton Technology Group Inc., a software firm; IRT Industries Inc., a casino boat off the coast of South America; and two others, EquiMed Inc. and National Medical Financial Corporation, whose lines of work remained unclear.

While promising victims that they would eventually be allowed to buy shares of more lucrative companies, the brokers

-- some unregistered -- pressured consumers into buying large numbers of shares while the prices were low, the authorities said. They would then drive up the value by pressuring investors and overstating the companies' prospects, and demand that consumers hold on to the stocks. "They went so far as to actually refuse to execute orders to sell stocks if customers would try and realize their profits, and threatening other investors with physical harm if they took steps that might drive the stock price down," Ms. Lynch said. While shares remained high, she said, brokers would sell their own shares in the companies at huge profits.

Mr. Spitzer called the scheme an indication of the Mafia's efforts to expand. "We have seen over the years the migration of organized crime from areas where for years we prosecuted them -- loan-sharking, drugs, prostitution," he said. "Now we are increasingly seeing organized crime's tentacles in Wall Street, in health care. "

While the brokerage firms are no longer in business, Ms. Lynch would not say whether the companies, which continue to be traded, were being investigated for links to the Mafia.

But there was a message to investors. "When the individual at the other end of the phone is unknown and is recommending a stock," Mr. Spitzer said, "hang up the phone."

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