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DETROIT SPAMMER AND FOUR CO-CONSPIRATORS PLEAD GUILTY TO MULTI-MILLION DOLLAR E-MAIL STOCK FRAUD SCHEME

WASHINGTON - Five individuals pleaded guilty today in federal court in Detroit for their roles in a wide-ranging international stock fraud scheme involving the illegal use of bulk commercial e-mails, or "spamming," announced Assistant Attorney General of the Criminal Division Lanny A. Breuer and U.S. Attorney for the Eastern District of Michigan Terrence Berg.

Alan M. Ralsky, 64, of West Bloomfield, Mich., and Scott K. Bradley, 38, also of West Bloomfield, both pleaded guilty to conspiracy to commit wire fraud, mail fraud and to violate the CAN-SPAM Act. Ralsky and Bradley also pleaded guilty to wire fraud, money laundering and violating the CAN-SPAM Act. Under the terms of his plea agreement, Ralsky acknowledges he is facing up to 87 months in prison and a $1 million fine under the federal sentencing guidelines while Bradley acknowledges that he is facing up to 78 months in prison and a $1 million fine under the federal sentencing guidelines.

The CAN-SPAM Act was passed by Congress in 2003 to address spam e-mails. The criminal provisions of the Act prohibit falsification of certain information used in the transmission of e-mail.

John S. Bown, 45, of Fresno, Calif., pleaded guilty to conspiracy to commit wire fraud, mail fraud and to violate the CAN-SPAM Act. He also pleaded guilty to conspiring to commit computer fraud by creating a botnet and violating the CAN-SPAM Act. A botnet is a network of computers that have been infected by malicious software. Under the terms of his plea agreement, Bown acknowledges he is facing up to 63 months in prison and a $75,000 fine under the federal sentencing guidelines.

William C. Neil, 46, of Fresno, pleaded guilty to conspiring to violate the CAN-SPAM Act and violating the CAN-SPAM Act. Under the terms of his plea agreement, Neil acknowledges he is facing up to 37 months in prison and a $30,000 fine under the federal sentencing guidelines.

James E. Fite, 36, of Culver City, Calif., pleaded guilty to conspiracy to commit wire fraud, mail fraud, and to violate the CAN-SPAM Act. He also pleaded guilty to violating the CAN-SPAM Act and making false statements to FBI agents. Under the terms of his plea agreement, Fite acknowledges he is facing up to two years in prison and a $30,000 fine under the

federal sentencing guidelines. All five defendants are scheduled to be sentenced on Oct 29, 2009.

"We will not allow criminals to use e-mail as a conduit for fraud. This prosecution, the Department's largest to date under the CAN-SPAM Act, underscores our strong and steadfast commitment to ridding our financial markets and cyberspace of e-fraudsters looking to prey on innocent victims," said Assistant Attorney General Lanny A. Breuer.

"Alan Ralsky was at one time the world's most notorious illegal spammer," said U.S. Attorney Terrence Berg. "Today Ralsky, his son-in-law Scott Bradley, and three of their co-conspirators stand convicted for their roles in running an international spamming operation that sent billions of illegal e-mail advertisements to pump up Chinese 'penny' stocks and then reap profits by causing trades in these same stocks while others bought at the inflated prices. Using the Internet to manipulate the stock market through spam e-mail campaigns is a serious crime, and this case serves notice that federal law enforcement has the both the capability and the will to successfully investigate, prosecute and punish such cybercrimes."

"Cyber crime investigations are a top priority of the FBI and we will continue to aggressively investigate those individuals who use and hide behind computers to commit various crimes," said Andrew G. Arena, Special Agent in Charge, FBI.

"In today's competitive international business world, there will always be a select few who illegally manipulate the system for their own profit," said Maurice M. Aouate, Special Agent in Charge, Internal Revenue Service Criminal Investigation (IRS-CI). "IRS CI will continue to diligently follow the money and assist in the seizure and forfeiture of any ill-gotten gains from their illegal business practices."

"Today marks a victory for all those who entrust their money to others within the U.S. economy. Postal Inspectors have protected Americans from those that have used the U.S. Mail for fraudulent purposes since the passage of the Mail Fraud Statute in 1872," said Joseph A. Pirone, U.S. Postal Inspector in Charge. "Ralsky's and Bradley's pleas demonstrate the Postal Inspection Service's continuing commitment to protect the public."

According to court records, from January 2004 through September 2005, Ralsky, Bradley, Judy Devenow, Bown, William Neil, Anki Neil, James Bragg, Fite, Peter Severa, How Wai John Hui, Francis Tribble, and others engaged in a related set of conspiracies designed to use spam e-mails to manipulate thinly traded stocks and profit by trading in those stocks once their share prices increased after recipients of the spam e-mails traded in the stocks being promoted. The defendants were indicted in the Eastern District of Michigan in December 2007.

Ralsky served as the chief executive officer and primary deal maker for the spam e-mail operation. Bradley, Ralsky's son-in-law, served as the chief financial officer and director of operations for the spam e-mail operation. Bown, who was chief executive officer of an Internet services company, GDC Layer One, served as the chief technology officer for the spam e-mail operation. William Neil, who was an employee of GDC Layer One, built and maintained a

computer network used to transmit spam e-mails as part of the conspiracy. Fite was a contract spammer who hired others to send spam e-mails as part of the conspiracy.

Devenow, Hui and Tribble previously pleaded guilty for their roles in the conspiracy. Devenow served as a manager for the spam e-mail operation and also sent spam e-mails. Tribble planned and directed the stock trading carried out in furtherance of the conspiracy. Hui, who was the CEO of China World Trade, served as the lead dealmaker representing the companies whose stocks were being promoted via spam e-mail.

According to court documents, many of the spam e-mails promoted thinly traded "pink sheet" stocks for U.S. companies owned and controlled by individuals in Hong Kong and China. The spam e-mails contained materially false and misleading information or omissions and were created and sent using software programs that made it difficult to trace them back to the conspirators. According to the indictment, the conspirators used wire communications, the U.S. mail and common carriers to further their frauds. The conspirators also engaged in money laundering involving millions of dollars generated by their manipulative stock trading.

According to the indictment, the defendants used various illegal methods in order to maximize the amount of spam that evaded spam-blocking devices and tricked recipients into opening, and acting on, the advertisements in the spam. These included using falsified "headers" in the e-mail messages, using proxy computers to relay the spam, using falsely registered domain names to send the spam, and also making misrepresentations in the advertising content of some of the underlying e-mail messages.

The cases against Anki Neil, Bragg and Severa are still pending. An indictment is merely an accusation and defendants are presumed innocent until and unless proven guilty at trial beyond a reasonable doubt.

The charges arose after a three-year investigation, led by the FBI with assistance from the U.S. Postal Inspection Service and IRS-CI revealed a sophisticated and extensive spamming operation. The case is being prosecuted by U.S. Attorney Terrence Berg and Trial Attorneys Thomas Dukes and Mona Sedky Spivack of the Criminal Division's Computer Crime and Intellectual Property Section.

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