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DETROIT SPAMMER AND THREE CO-CONSPIRATORS SENTENCED FOR MULTI-MILLION DOLLAR E-MAIL STOCK FRAUD SCHEME

WASHINGTON – Four individuals were sentenced today by U.S. District Judge Marianne O. Battani 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 Bradley, 48, also of West Bloomfield, were sentenced to 51 months and 40 months in prison, respectively, for conspiring to commit wire fraud, mail fraud, and to violate the CAN-SPAM Act, and also for committing wire fraud, engaging in money laundering and violating the CAN-SPAM Act. Ralsky and Bradley were also each sentenced to five years of supervised release following their respective prison terms, and were each ordered to forfeit $250,000 that the United States seized in December 2007.

How Wai John Hui, 51, a resident of Hong Kong and Canada, was sentenced to 51 months in prison for conspiring to commit wire fraud, mail fraud and to violate the CAN-SPAM Act, and also for committing wire fraud and engaging in money laundering. Hui was sentenced to three years of supervised release following his prison term, and agreed to forfeit $500,000 to the United States.

John S. Bown, 45, of Fresno, Calif., was sentenced to 32 months in prison for conspiring to commit wire fraud, mail fraud and to violate the CAN-SPAM Act, for conspiring to commit computer fraud by creating a botnet, and also for violating the CAN-SPAM Act. A botnet is a network of computers that have been infected by malicious software. Bown was sentenced to three years of supervised release following his prison term, and agreed to forfeit $120,000 to the United States.

"Today's sentencing sends a powerful message to spammers whose goal is to manipulate financial transactions and the stock market through illegal e-mail advertisements," said Assistant Attorney General Lanny A. Breuer. "People who use fraudulent e-mails to drive up stock prices and reap illicit profits will be prosecuted, and they will face significant prison time."

"With today's sentence of the self-proclaimed 'Godfather of Spam,' Alan Ralsky, and three others who played central roles in a complicated stock spam pump and dump scheme, the

court has made it clear that advancing fraud through abuse of the Internet will lead to several years in prison," said U.S. Attorney Terrence Berg for the Eastern District of Michigan. "I commend the FBI, the Postal Inspection Service, and the IRS Criminal Investigative Division for their determined and careful investigation in this case which lead to today's result."

"Through this conspiracy Ralsky and the others were able to manipulate the stock market and maximize their profit. They flooded our e-mail boxes with unwanted spam e-mail and attempted to use a botnet to hijack our computers assist them in the scheme. 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 Aouate, Special Agent in Charge, Internal Revenue Service Criminal Investigation. "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 who entrust their money to others within the U.S. economy," said Joseph A. Pirone, U.S. Postal Inspector in Charge. "Postal Inspectors have protected Americans from those who use the U.S. Mail for fraudulent purposes since the passage of the Mail Fraud Statute in 1872. The sentencing of Ralsky and Bradley demonstrates the Postal Inspection Service's continuing commitment to protect the public."

According to court documents, from January 2004 through September 2005, Ralsky, Bradley, Judy Devenow, Bown, William Neil, James Bragg, James Fite, Hui, Francis Tribble and others allegedly 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.

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. 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 perpetrate 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 defendants were indicted in the Eastern District of Michigan in December 2007. Ralsky, Bradley, Bown, William Neil, Bragg and Fite pleaded guilty in June 2009 while Hui pleaded guilty in December 2008. Tribble and Devenow pleaded guilty in October 2008. Tribble, Devenow, William Neil, Bragg and Fite are scheduled to be sentenced tomorrow by Judge Battani.

Anki Neil and Peter Severa are also named as defendants in the indictment returned in the Eastern District of Michigan and their cases 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 U.S. Securities and Exchange Commission's Philadelphia Regional Office has provided significant ongoing assistance in this case. The case is being prosecuted by U.S. Attorney Terrence Berg and Assistant U.S. Attorney Julie Beck and Trial Attorneys Thomas Dukes and Mona Sedky of the Criminal Division's Computer Crime and Intellectual Property Section.

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