

NEWS

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FOR IMMEDIATE RELEASE
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Florida Man Pleads Guilty in Stock Scheme That Swindled Millions From Investors

(More)

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CAMDEN – A Florida man pleaded guilty today to his role in a \$20 million stock fraud and money laundering scheme, admitting that he cost public investors over \$1 million in losses, U.S. Attorney Paul J. Fishman announced.

Gary Brown, 61, of Sarasota, Fla., pleaded guilty before U.S. District Judge Jerome B. Simandle to a one-count Information that charges conspiracy to commit securities fraud, wire fraud and money laundering. Judge Simandle continued the defendants' release on a \$70,000 secured bond pending sentencing, which is scheduled for May 7.

At his plea hearing, Brown admitted that beginning in May 2002 and continuing through October 2005, he operated a sophisticated scheme, involving more than five co-conspirators, which used deceptive and manipulative practices in connection with the fraudulent issuance, purchase and re-sale of shares of stock of Skylynx Communications, Inc. to defraud more than 50 victims. The company's stock was publicly traded on the Over the Counter Electronic Bulletin Board System (OTC Bulletin Board).

Brown admitted that he conspired with Joseph Morgan, of St. Pete Beach, Fla., who was sentenced to 48 months for his role in the Skylynx fraud, among others, and Edward McPhee, also of Florida, who is pending sentencing for his role in the Skylynx fraud.

Brown admitted that he and his co-conspirators acquired ownership and control of a substantial number of Skylynx stock shares, without disclosing this ownership and control to the public. Brown further admitted that he and his co-conspirators paid undisclosed cash, free-trading Skylynx stock, and restricted Skylynx stock to securities brokers for purchasing Skylynx in their retail customers' accounts. For example, Brown admitted that in July 2003, he caused 100,000 shares of Skylynx stock to be issued to McPhee's nominee as a kickback for McPhee's role in manipulating the market for Skylynx stock.

Brown further admitted that he and his co-conspirators caused false and fraudulent consulting agreements to be issued which were designed to allow the conspirators to receive free-trading Skylynx shares which they could later sell for substantial profit and to artificially inflate the price of Skylynx stock. For example, Brown admitted that in November 2003, he and Morgan discussed preparing a bogus consulting agreement in order to place 250,000 free-trading Skylynx shares into the hands of an insider in return for the insider raising \$500,000 for Skylynx.

As part of his plea, Brown also agreed to forfeit approximately \$650,000.

In pleading guilty to a criminal Information, a defendant waives his right to be indicted by a grand jury and instead appears directly before a judge to plead guilty.

The charge to which Brown pleaded guilty, conspiracy to commit securities fraud, wire fraud and money laundering, carries a statutory maximum prison sentence of 5 years and a fine of \$250,000 or twice the aggregate loss to the victims or gain to the defendants.

In determining an actual sentence, Judge Simandle will consult the advisory U.S. Sentencing Guidelines, which provide appropriate sentencing ranges that take into account the severity and characteristics of the offense, the defendant's criminal history, if any, and other factors. The judge, however, is not bound by those guidelines in determining a sentence.

Parole has been abolished in the federal system. Defendants who are given custodial terms must serve nearly all that time.

Fishman credited Special Agents with the FBI's Atlantic City Resident Agency, under the direction of Acting Special Agent in Charge Kevin B. Cruise in Newark, and IRS Criminal Investigation Division, under the direction of Special Agent in Charge William P. Offord, for the investigation leading to the guilty plea.

The government is represented by Assistant U.S. Attorney R. Stephen Stigall of the Criminal Division in Camden.

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Defense Attorney: Tom Young, Esq. Camden, N.J.