



**UNITED STATES ATTORNEY'S OFFICE**  
*Southern District of New York*

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FOR IMMEDIATE RELEASE  
Wednesday, December 21, 2011  
<http://www.justice.gov/usao/nys>

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**MANHATTAN U.S. ATTORNEY ANNOUNCES NEW CHARGES AND  
ADDITIONAL ARREST IN "PUMP AND DUMP" STOCK FRAUD  
PROSECUTION**

*Superseding Indictment Charges Two Defendants with Allegedly Participating in a \$6.5 Million Scheme to Defraud Start-Up Companies*

Preet Bharara, the United States Attorney for the Southern District of New York, and Victor W. Lessoff, the Special Agent-in-Charge of the Newark Field Office of the Internal Revenue Service, Criminal Investigation ("IRS-CI"), announced today the arrest of DAVID LEVY for allegedly participating with his wife DONNA LEVY in a \$6.5 million "pump and dump" scheme to defraud start-up companies. DONNA LEVY was previously charged in the Southern District of New York, along with 10 others, for engaging in a market manipulation-for-hire scheme. A Superseding Indictment unsealed today includes new charges against DONNA LEVY and adds her husband DAVID as a defendant. The Superseding Indictment also adds new details to charges against THOMAS PREZIOSO concerning the previously-charged manipulation-for-hire scheme. DAVID LEVY surrendered to authorities in Fort Lauderdale, Florida, earlier today and will be arraigned before United States District Judge Paul A. Crotty at a later date.

Today's charges are the result of an ongoing investigation by the Government into so-called "pump and dump" stock fraud schemes that employ the Internet and social networking sites, among other tools, to manipulate the price of penny stocks. In October 2010, 11 individuals were charged with participating in the manipulation-for-hire scheme. Eight defendants have already pled guilty for their roles in the scheme, including four defendants – RICARDO FERNANDEZ, WILLIAM MACKKEY, BRADLEY SUSSER, and STINSON BLAND – who pled guilty this week.

Manhattan U.S. Attorney Preet Bharara stated: "As alleged, David and Donna Levy executed an elaborate 'pump and dump' scheme that defrauded multiple start-up company executives and investors out of millions of dollars, and used the proceeds of the fraud to finance their lavish lifestyle. Today's arrest and new charges underscore this Office's ongoing commitment to pursuing and prosecuting individuals who engage in such schemes."

IRS-CI Special Agent-in-Charge Victor W. Lessoff stated: “The allegations in this case show the appearance of success can be a mask for a tangled financial web of lies. Financial fraud schemes are often described as a house of cards and the underlying structure can fall apart at any time exposing the individuals responsible.”

As alleged in the Superseding Indictment, other documents previously filed in the case, and statements made in court:

### The Start-Up Company Stock Fraud Scheme

DAVID LEVY and his wife, DONNA LEVY, defrauded multiple start-up companies in need of capital, and investors in those companies, by manipulating the start-up companies’ stock when helping to take them public. The scheme worked as follows: DAVID LEVY and DONNA LEVY offered to help start-up companies obtain financing, take the start-up companies public, and coordinate marketing and investor relations, in exchange for shares in the companies. Among other things, they failed to disclose to the start-up companies that they had previously been found by a federal court to have engaged in a telemarketing scholarship scam and were permanently barred from engaging in deceptive marketing activities.

Once the companies had gone public, DONNA LEVY put out several misleading press releases on behalf of the target companies, and she worked with DAVID LEVY to secretly fund and distribute misleading third-party “buy” recommendations concerning the targeted companies. These misleading promotional campaigns, along with other manipulative conduct, caused increased demand for stock in the targeted companies, which caused the prices of the stocks to rise. DAVID LEVY, DONNA LEVY, and their co-conspirators took advantage of the “pumped-up” stock trading volume and prices to “dump” their shares into the market until the misleading promotional campaigns had run out of steam. They would repeat the scheme multiple times until the target companies’ shares were essentially valueless, thereby harming company founders and executives, as well as innocent investors who bought shares in reliance on the misleading promotional campaigns they orchestrated.

The Superseding Indictment also charges DAVID LEVY and DONNA LEVY with orchestrating multi-year pump and dump securities fraud schemes involving two companies that they helped take public: Cardiac Network, Inc. and Banneker, Inc. According to the Superseding Indictment, DAVID LEVY, DONNA LEVY, and co-conspirators made over \$6.5 million from the manipulation of these two stocks alone.

### The Manipulation-For-Hire Scheme

In addition to new charges related to the start-up company stock fraud, the Superseding Indictment also adds further details concerning a previously-charged market manipulation-for-hire scheme in which DONNA LEVY and other defendants, including THOMAS PREZIOSO, allegedly took part. As alleged in the Superseding Indictment and other documents previously filed in the case, DONNA LEVY and PREZIOSO were paid by others who were interested in dumping large holdings of penny stocks, directly or through intermediaries, to post or fund misleading stock “buy” recommendations on social networking sites such as Twitter and Facebook, and on purportedly independent stock analysis websites and email newsletters. Participants in the scheme also engaged in manipulative trading of stocks targeted by the scheme. They did so knowing that their conduct would help pump up the prices of the stocks they were manipulating so that their funders could sell and make quick profits from unsuspecting

investors who would be harmed once the secretly-funded manipulative campaign ended and the stock crashed. Stocks targeted by the scheme lost at least \$7 million in shareholder value.

The Superseding Indictment also alleges five pump and dump securities frauds concerning specific stocks that were manipulated by participants in the scheme. The Superseding Indictment also contains money laundering charges against PREZIOSO arising out of his efforts to conceal the ownership and control of the money they and others were receiving for participation in the scheme.

Eight defendants have already pled guilty to charges arising out of the manipulation-for-hire scheme earlier this year, on the dates and to the charges listed below:

<b>Name</b>	<b>Counts of Conviction</b>	<b>Plea</b>	<b>Sentencing</b>
RICARDO FERNANDEZ	Conspiracy to Commit Securities Fraud	12/21/11	4/26/12
WILLIAM MACKEY	Conspiracy to Commit Securities Fraud	12/19/11	4/23/12
BRADLEY SUSSER	Conspiracy to Commit Securities Fraud	12/19/11	4/24/12
STINSON BLAND	Conspiracy to Commit Securities Fraud	12/19/11	4/19/12
JEFFREY HURWITT	Conspiracy to Commit Securities Fraud; Securities Fraud	8/10/11	2/8/12
MICHAEL STEINBERG	Conspiracy to Commit Securities Fraud; Securities Fraud	7/28/11	3/8/12
JEFFREY HALBIRT	Conspiracy to Commit Securities Fraud; Securities Fraud	7/13/11	3/27/12
MICHAEL OIRING	Conspiracy to Commit Securities Fraud; Securities Fraud	6/30/11	6/14/12

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DAVID LEVY, 59, of Fort Lauderdale, Florida, faces a maximum sentence of 45 years in prison. Charges against DAVID LEVY and previously-arrested defendants DONNA LEVY and THOMAS PREZIOSO, who are presumed innocent unless and until proven guilty, are still pending.

This case originated out of the Government's long-term investigation into criminal conduct at the Port of New York-New Jersey, which uncovered the manipulation-for-hire scheme. Mr. Bharara thanked the Internal Revenue Service-Criminal Investigations' New Jersey office, as well as the other participants in the High Intensity Drug Trafficking Area Task Force, which includes the Drug Enforcement Administration and Immigration and Customs Enforcement's Homeland Security Investigations' New Jersey Offices, for their outstanding work on the investigation, which he noted was ongoing. Mr. Bharara also thanked the Securities and Exchange Commission and the Financial Industry Regulatory Authority for their assistance with the investigation.

The prosecution is being handled by the Office's Public Corruption Unit, with assistance from the Office's Securities and Commodities Fraud Task Force. Assistant United States Attorneys Howard S. Master and Carrie Cohen are in charge of the prosecution, and David I. Miller is responsible for the asset forfeiture aspects of the investigation.

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