

19 Charged In \$41 Million Stock Fraud Scheme Linked To Mob

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NEW YORK -(Dow Jones)- Nineteen defendants have been indicted on charges they ran a \$41 million stock fraud scheme linked to four of New York's organized crime families.

Authorities say John Doukas and Walter Dorchalter, the principals of New York brokerages White Rock Partners & Co. and State Street Capital Markets Corp., led a "pump-and-dump" scheme involving four highly speculative securities, then enlisted the mob's help to promote the fraud.

The indictment alleges that the firms secretly acquired the stocks and warrants of Country World Casinos Inc. (CWRC), Cable & Co. Worldwide Inc. (CCWW), Holly Products Inc. and U.S. Bridge of New York Inc. between 1993 and 1996. The firms then paid brokers to push the stocks on customers in order to artificially inflate their prices, authorities said.

The firms allegedly sold their holdings at a substantial profit and laundered the money through multiple transfers to off-shore bank accounts. "Once they dumped their shares, the stocks became worthless," said Brooklyn U.S. Attorney Loretta E. Lynch, who announced the indictment Thursday.

Besides the firms' principals, others charged in the case include former brokers at J.W. Barclay & Co. and D.H. Blair & Co.; Holly Products Chief Executive Larry Berman; and several reputed organized-crime figures. Authorities said White Rock and State Street Capital called in the mob to "resolve disputes" and perform other services, but wouldn't elaborate.

Lynch said the case reflects "the continuing influence of organized crime on Wall Street." Several defendants have been charged in other cases filed by federal prosecutors alleging mob attempts to gain influence among small brokerages. Eugene Lombardo, who the government says has ties to the mob's Bonanno family, is already serving an 8-year prison sentence for his admitted role in a 1997 stock-manipulation scheme involving HealthTech International Inc.

Others charged in the most recent case are linked to the mob's Genovese, Colombo and Gambino families.

"We called this 'Operation Street Cleaner,' because it was designed to fight fraud on Wall Street, but it could just as well been titled 'Goodfellas Meet The Boiler Room,' said Howard Safir, commissioner of the New York City Police Department, at a press conference in Brooklyn.

The Federal Bureau of Investigation said it stumbled upon the pump-and-dump scheme during an investigation into Russian organized crime. The defendants netted at least \$41 million and possibly as much as \$60 million through the pump-and-dump scheme, authorities said.

The 20-count indictment includes stock fraud, money laundering and racketeering charges. If convicted, the defendants face lengthy prison terms and steep fines. Several were scheduled to be arraigned later Thursday in Brooklyn federal court.

In a related action, NASD Regulation filed a complaint charging Doukas and 11 former brokers at State Capital Markets with fraudulent sales practices, supervision deficiencies, and failure to cooperate with an NASD Regulation investigation.

White Rock and State Street Capital went out of business in 1996. At the time of the scheme, the stocks involved traded on either the Nasdaq National Market or the over-the-counter bulletin board, authorities said. Country World Casinos, a casino developer, and Cable & Co., a men's footwear importer, currently trade on the over-the-counter bulletin board.

A Country World Casinos spokesman had no comment on the case. A phone number listed on Cable & Co.'s last filing with the Securities and Exchange Commission in 1998 was disconnected.

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The 19 individuals indicted by a federal grand jury are:

Frank Coppa Sr.; Ernest Montevecchi, a.k.a. "Butch;" Daniel Persico; Jack Basile; Rocco Basile; Larry Berman; John Cioffoletti; John Doukas; Walter Durchalter, a.k.a. "Dutch;" Edward Garafola; Daniel Lev; Eugene Lombardo; Edmond Nagel; Alfred Palagonia; Aleks Paul; Josphe Polito Sr.; Lawrence Ray; Abraham Salaman and Guiseppe Temperino a.k.a. "Joseph Temperino."

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