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very interesting undercover sting operation by the SEC and FBI...

1 message

Marjorie Miller <marjiemiller@gmail.com>

Thu, Jun 30, 2011 at 3:21 PM

To: ecologicalal@gmail.com, Marjorie Miller <marjiemiller@gmail.com>

86,

This miss-titled link is actually "The Securities and Exchange Commission today filed securities fraud charges against several CEOs"...very interesting undercover sting operation by the SEC and FBI...

Note for FINRA: (pasted from below):

The schemes were brought to light by an undercover operation by the Federal Bureau of Investigation, conducted in a way so that investors were not harmed.

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What the insiders and promoters did not know was that the people who were counterparties to the illegal transactions were actually undercover FBI agents or confidential sources participating in an undercover operation.

99...

p.s. at bottom is list of names involved in the investigation. Interesting...I wonder if David Suddeth knows these people...I wonder if his name is on the internet for similar investigations as well, like these peoples names are attached to this investigation...google time is necessary...more coffee...

Trisha D. Sindler, Michelle I. Bougdanos, and Chedly C. Dumornay investigated the case, and James M. Carlson is litigating the actions; all are with the SEC's Miami Regional Office The SEC acknowledges the assistance and cooperation of the U.S. Attorney's Office for the Southern District of Florida and the Federal Bureau of Investigation, Miami Division, in investigating these matters.

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For more information on microcap stock fraud, visit <http://www.sec.gov/investor/pubs/microcapstock.htm>

For more information about this enforcement action, contact:

Eric I. Bustillo, Regional Director
Glenn S. Gordon, Associate Regional Director
James M. Carlson, Senior Trial Counsel
SEC's Miami Regional Office

<http://www.sec.gov/news/press/2011/2011-138.htm>

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U.S. Securities and Exchange Commission



SEC Charges Company CEOs and Penny Stock Promoters in Kickback Schemes

**FOR IMMEDIATE RELEASE
2011-138**

Washington, D.C., June 30, 2011 — The Securities and Exchange Commission today filed securities fraud charges against several CEOs, their companies, and two penny stock promoters alleging they used kickbacks, a bribe and blast e-mails to manipulate trading in microcap stocks.

Additional Materials

- [Litigation Release No. 22018](#)
- [SEC Complaint vs. Thomas Schroepfer](#)
- [SEC Complaint vs. Donald W. Klein](#)
- [SEC Complaint vs. Brian Gibson](#)
- [SEC Complaint vs. Douglas Newton](#)

The schemes were brought to light by an undercover operation by the Federal Bureau of Investigation, conducted in a way so that investors were not harmed. The SEC worked closely with the U.S. Attorney's Office for the Southern District of Florida and the FBI on the investigation, and the U.S. Attorney's Office announced parallel criminal charges Thursday against the same individuals named in the SEC's civil lawsuits.

According to the SEC's complaints, filed in U.S. District Court for the Southern District of Florida, most of the schemes involved kickbacks to a purportedly corrupt pension fund trustee in exchange for having the fund buy stock in microcap companies. Another scheme involved a bribe that was to be paid to a purportedly corrupt broker who agreed to buy microcap shares on behalf of investors with discretionary accounts. A final scheme involved a stock promoter who created a website to tout a penny stock company through a volley of e-mail blasts and who posted phony testimonials from fake investors.

What the insiders and promoters did not know was that the people who were counterparties to the illegal transactions were actually undercover FBI agents or confidential sources participating in an undercover operation. The latest charges follow a series of cases filed in October and December 2010, in which the SEC sued more than a dozen companies and penny stock promoters with similar stock manipulation schemes.

"Investors deserve better than secret investment strategies based on kickbacks and bribes," said Robert Khuzami, Director of the SEC's Division of Enforcement. "As our charges make clear, these CEOs got more than they bargained for but exactly what they deserved for making illicit payments to manipulate microcap stocks."

Eric I. Bustillo, Director of the SEC's Miami Regional Office, added, "The defendants charged today were intent on making profits for themselves while defrauding others. The SEC will continue to aggressively pursue those who engage in microcap stock fraud schemes."

Named in the SEC's complaints are:

- **Douglas Newton**, of Rancho Mirage, Calif., the CEO of **Real American Brands, Inc. n/k/a Real American Capital Corp.**, paid kickbacks to a purported employee pension fund trustee to buy more than 6.2 million shares of restricted Real American Brands stock. Newton attempted to conceal the kickbacks by entering into a consulting agreement with a phony company that the trustee fabricated to receive the kickbacks. However, the corrupt trustee was a fictitious person, the trustee's business associate who helped arrange the deal was an undercover FBI agent, and the phony consulting company was actually created by the FBI.
- **Donald W. Klein**, of Frisco, Texas, the president and CEO of **KCM Holdings Corp.**, engaged in two restricted stock transactions and one market transaction involving KCM Holdings' stock. Klein and the company paid kickbacks to an undercover FBI agent who portrayed himself as a business associate of a corrupt trustee of an employee pension fund, in exchange for the fund's purchase of 2.5 million shares of restricted KCM Holdings stock. Klein attempted to conceal the kickbacks through a consulting agreement with a phony company that would receive the kickbacks. In another scheme, Klein bribed a purported corrupt stockbroker (actually an undercover FBI agent) to purchase KCM Holdings stock in the open market for brokerage clients with discretionary accounts.
- **Thomas Schroepfer a/k/a Thomas Schroepfer Baetsen**, of Las Vegas, Nev., the president and CEO of **SmokeFree Innotec, Inc.**, and **Charles Fuentes**, of Dana Point, Calif., a promoter of SmokeFree's stock, paid kickbacks to an undercover FBI agent, posing as the business associate of a corrupt employee pension fund trustee, in exchange for the fund's purchase of 400,000 shares of restricted SmokeFree stock. Schroepfer attempted to conceal the kickbacks through a consulting agreement with a phony company created to receive the kickbacks. In addition, SmokeFree issued shares of its stock to a cooperating witness for acting as a middleman in the scheme.
- **Brian Gibson**, of Coconut Creek, Fla., created a now-defunct website, Roaringpennystocks.com, to promote shares of **Xtreme Motorsports International, Inc.**, as part of a planned pump-and-dump scheme. Gibson touted Xtreme Motorsports by blasting a series of e-mails to potential investors and posted false testimonials on the site from purported investors raving about their success in following the website's stock picks.

The SEC alleges that the company officers and a promoter in most of the schemes understood they needed to disguise the kickbacks as payments to phony consulting companies, which they knew would perform no actual work. The SEC alleges the individuals also knew that the purportedly corrupt fund trustee would be violating his fiduciary duty to his client by taking a kickback. In other instances, they knew that their illegal activities were meant to artificially inflate the companies' stock price.

The SEC's complaints allege the defendants violated Section 17(a) of the Securities Act of 1933, and/or Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934. The SEC is seeking permanent injunctions and fines against all the defendants; disgorgement plus interest against the defendants who received ill-gotten gains; and penny stock bars against all the individual defendants.

Trisha D. Sindler, Michelle I. Bougdanos, and Chedly C. Dumornay investigated the case, and James M. Carlson is litigating the actions; all are with the SEC's Miami Regional Office. The SEC acknowledges the assistance and cooperation of the U.S. Attorney's Office for the Southern District of Florida and the Federal Bureau of Investigation, Miami Division, in investigating these matters.

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(305) 982-6300 <http://www.sec.gov/news/press/2010/2010-138.htm>

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Modified: 06/30/2011

On Thu, Jun 30, 2011 at 1:50 PM, Securities and Exchange Commission <sec@service.govdelivery.com> wrote:

You are subscribed to Press Releases from the Securities Exchange Commission. A new press release is [now available](#).

[SEC Proposes Business Conduct Standards for Security-Based Swap Dealers and Major Security-Based Swap Participants](#)

06/30/2011 01:55 PM EDT

The Securities and Exchange Commission today filed securities fraud charges against several CEOs, their companies, and two penny stock promoters alleging they used kickbacks, a bribe and blast e-mails to manipulate trading in microcap stocks.



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