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U.S. Indicts 85 in \$100 Million Stock Swindle

By JOSEPH P. FRIED

Federal officials announced yesterday the indictments of 85 people who they said had swindled thousands of unwary investors out of more than \$100 million by manipulating the stocks of small and start-up companies. Three of the suspects have ties to organized crime, they said.

The schemes generally followed the outlines of what has become a classic approach to bilking less than vigilant investors: a group of swindlers buys the stocks of small companies and then induces brokers, through secret payoffs, to market them aggressively. Once the share price rises, they sell, leaving legitimate investors with huge losses.

Three separate schemes were involved, the longest running from 1991 to 1998, the investigators said. They added that two of the people charged are linked to the Colombo crime family, and one to a Russian crime group.

The officials said the involvement of these three underscored organized crime's continuing exploitation of the lucrative bull market on Wall Street. They said mobsters had sought new criminal opportunities after law enforcement efforts curbed their profits from the businesses they had traditionally infiltrated, like garbage hauling, the garment industry and the city's wholesale food and produce markets.

"The mob never saw a market it didn't want to control," said Lewis D. Schiliro, head of the Federal Bureau of Investigation's New York office.

Mr. Schiliro joined officials of the Securities and Exchange Commission and other agencies in the Brooklyn office of Zachary W. Carter, the United States Attorney for the Eastern District of New York, where the indictments were announced.

The people named in the three indictments, which totaled more than 100 pages, included licensed and unlicensed brokers and sales people affiliated with what Federal law enforcement and securities officials said were nine small, corrupt brokerage firms that manipulated the stocks of about 20 companies.

The companies were involved with products like toys, clothing, drugs, computer-related equipment and, in one case, a new additive to automotive motor oil.

Their stocks were called "microcap" stocks because the companies had small market-capitalizations, little or no revenue, a fairly low number of shares and a low volume of trading, which was not carried out on a major exchange, said Jonathan S. Sack, an assistant United States attorney in Brooklyn.

He said that the companies traded their securities on the Nasdaq small-capitalization stock market and its

OTC Bulletin Board, an over-the-counter trading forum.

Mr. Sack said some of the start-up companies in the cases were "little more than an idea and an office."

The conspirators first bought the stocks cheaply or paid kickbacks to get them at a discount, the investigators said, and in some cases, they even stole the stock certificates outright. Then, by making a large number of cold telephone sales calls to individual investors, the stocks were sold at "grossly inflated" prices, Mr. Carter said.

Mr. Schiliro said that those swindled ranged from wealthy individuals who invested hundreds of thousands of dollars to people who invested much less. And while elderly people were among those bilked, it was not known whether they were targeted because of their age, Mr. Carter said.

Two of the defendants said to be associates of organized crime were identified as Dominick Dionisio, 29, of 42 Mandy Court on Staten Island, and Enrico Locascio, 29, of 86 Garretson Avenue on Staten Island, both of whom were said to be tied to the Colombo family. The third man accused of mob ties was identified as Yakov Slavin, 36, of 3280 Nostrand Avenue in Brooklyn, who was described as an associate of the Bor organized crime group of Russian immigrants.

If convicted of the most serious charges against them, conspiracy to engage in unlawful monetary transactions and conspiracy to launder money, the three would face sentences of up to 20 years in prison.

Most of the defendants were arrested yesterday, and others arranged through their lawyers to surrender in the next day or so. By early evening most of those who were taken into custody yesterday had been arraigned in Federal District Court in Brooklyn, where they pleaded not guilty and were released on various amounts of bail. At least two others among those indicted were already in prison because of past convictions for stock fraud.

The nine brokerage firms involved in the three cases were identified as Norfolk Securities Corp; Hanover, Sterling & Co.; PCM Securities Ltd., which changed its name last year to Royal Palm Investments, Ltd.; Capital Planning Associates; J.S. Securities, later renamed Vision Investment Group; Global Strategies Group; First National Equity Corporation; Amerivet Dymally Securities, and Three Arrows Capital Corporation.

Investigators said that all the firms had ceased operating except Amerivet Dymally, whose headquarters are in Inglewood, Calif., and Three Arrows, of Bethesda, Md. No officers or employees at these firms' main offices have been charged with crimes in these cases, Mr. Sack said, and the branches in New York that were involved in the schemes have been closed.

Photo: United States Attorney Zachary W. Carter, in his Brooklyn office. (Nancy Siesel/The New York Times)