

Penny stock fraud scheme leads to multiple Florida arrests

Written by Australian Business

September 27, 2013 /**24-7PressRelease**/ -- After an undercover investigation that spanned almost three years, the Federal Bureau of Investigation (FBI), Securities and Exchange Commission (SEC), U.S. Attorney's Office for the Southern District of Florida and 10 additional federal and local agencies recently filed criminal and civil charges against a number of Florida fraudsters. Those facing [securities fraud](#) charges include five promoters, four microcap companies, their CEOs, and other company executives.

Over the past few years, the joint law enforcement probe has been uncovering penny stock swindles that bilked investors of hundreds of millions of dollars. The SEC and FBI have been focusing on Florida lately, a national hotspot for penny-stock schemes. The most recent accusations include such crimes as:- Arranging and taking bribes- Receiving kickbacks- Spearheading kickback scams- Illegally generating stock sales- Fraud and misrepresentation

The Sun Sentinel reports that, to date, over 150 defendants in Florida have been charged with illegally inflating stock prices by creating a false sense of market activity and security for a number of microcap companies. Florida courts have ordered nearly \$1.8 billion in restitution.

Penny Stocks

Microcap companies are small businesses whose shares trade for less than \$5 apiece. These penny stocks, as they are commonly called, are hard to monitor and average investors sometimes fall prey to [fraudulent securities schemes](#) .

Generally, penny stock securities are quoted over-the-counter but may also trade on a securities exchange. Penny stocks do not trade as frequently as the stocks of larger companies and, for that reason, may be hard to sell once purchased. Additionally, obtaining an accurate value can be nearly impossible at times.

Due to the nature of penny stocks, the SEC imposes strict rules on brokers and dealers who handle penny stocks transactions. Unfortunately, investors may easily suffer from [stockbroker misconduct](#) as the penny stock values are easily manipulated.

Not all microcap investments are bad, however, and following these tips may help:- Thoroughly

Penny stock fraud scheme leads to multiple Florida arrests

Written by Australian Business

research the microcap company and assess the viability of its product or idea.- Identify risks just as you would with investments in larger companies.- Verify verbal advice with documentation.- Check the financial statements for accuracies, not just the bottom line.

Seek the help of a lawyer

If you have suffered financial losses due to securities fraud, brokerage incompetence, stockbroker misconduct or misrepresentation, consult an experienced securities law attorney. A lawyer knowledgeable about commercial litigation, investor class action lawsuits and investment fraud cases may be able to help you recover your losses.

Article provided by Dimond Kaplan & Rothstein, P.A. Visit us at www.dkrpa.com