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IN THE UNITED STATES DISTRICT COURT
DISTRICT OF UTAH, NORTHERN DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

JEREMY JOHNSON and
RUMORSEARCH.COM, INC.

Defendants.

Civil Action No.

COMPLAINT FOR VIOLATIONS
OF THE FEDERAL SECURITIES
LAWS

2:01CV00135C

Plaintiff Securities and Exchange Commission ("Commission")
alleges:

JURISDICTION

1. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77t(b), 77t(d)(1) & 77v(a)] and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27 of the

Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d)(1), 78u(d)(3)(A), 78u(e) & 78aa].

SUMMARY

2. This action involves false statements about and touting of Far East Ventures, Inc. ("FEVI") by Defendants Jeremy Johnson ("Johnson") and RumorSearch.com, Inc. ("RumorSearch") on the RumorSearch website. In January and February 2000, Johnson and RumorSearch profiled FEVI as RumorSearch's Stock Pick of the Month and sent several false and misleading e-mails to RumorSearch subscribers and others praising FEVI. Undisclosed to RumorSearch subscribers and to viewers of the RumorSearch website, Johnson owned 9,200 shares of FEVI and had received a total of 95,000 FEVI shares for touting FEVI. While the Defendants touted FEVI through the false and misleading releases, Johnson sold 66,500 FEVI shares at a profit of \$315,848 without disclosing the sales to RumorSearch subscribers or to viewers of the RumorSearch website.

THE DEFENDANTS

3. **Jeremy Johnson** resides in St. George, Utah. Johnson incorporated RumorSearch in September 1999. Johnson was the President of RumorSearch and was solely responsible for the content of the RumorSearch website.

4. **RumorSearch.com, Inc.** is a Utah corporation located in St. George, Utah, which was incorporated by Johnson in September 1999.

THE RUMORSEARCH WEBSITE AND

THE DEFENDANTS' FRAUDULENT REPRESENTATIONS

A. Johnson Creates The RumorSearch Website

5. In September 1999, Johnson created the RumorSearch website, purportedly designed to research and disseminate verified stock rumors submitted by paying subscribers. In addition, the RumorSearch website homepage profiled a particular stock under the heading "Stock Pick of the Month."

6. Starting in December 1999 or January 2000, the Defendants offered free trial RumorSearch subscriptions that allowed nonpaying subscribers to submit rumors and to view past stock rumors and responses by Johnson. At the same time, the Defendants allowed nonpaying subscribers to join RumorSearch's e-mail list and receive its periodic stock updates, including past and present Stock Picks of the Month. The entire e-mail list included about 4,000 people.

7. To drive traffic to the website, the Defendants also advertised RumorSearch several times through services that sent e-mails to thousands of addresses. In these e-mails, the Defendants provided a brief description of RumorSearch's Stock Pick of the Month and provided a link to the RumorSearch website.

8. The RumorSearch website included a link at the bottom of the Stock Pick of the Month page which allowed anyone accessing the website to view RumorSearch's disclaimer. The disclaimer stated RumorSearch made "every effort" to "diligently investigate the worthiness" of information on its website but did not guarantee the accuracy or completeness of the information.

9. The disclaimer also stated, in relevant part:

From time to time, RumorSearch.com receives payment from the companies spotlighted on its web page in the form of stock, money or some other tangible thing. For each such instance, RumorSearch.com will specifically disclose who is making the payment, the amount of the payment, and the type of payment (e.g., cash, stock, or other thing of value). The details of any financial incentive may be located by the user within the text of the report or spotlight on the company profiled under the caption: "Disclaimer."

B. Johnson And RumorSearch Misleadingly Tout FEVI

10. On January 18 and 19, 2000, Johnson purchased 9,200 FEVI shares at \$2.56 to \$3.00 per share, for a total purchase price of \$25,241.20

11. On or about Friday, January 21, 2000, Johnson and RumorSearch profiled FEVI as RumorSearch's Stock Pick of the Month and sent an e-mail to approximately 2,500 paying and non-paying subscribers. The profile and the e-mail stated:

We feel that FEVI is an excellent investment. They will be releasing details of their \$40 million financing deal next week, and they have several acquisitions that will be announced shortly. We spoke with the company about the upcoming acquisitions and although they would not give us details about them, they did say that with the acquisitions their projected

revenues would be around \$750 million!!!

Far East Ventures Inc. is in the business of identifying and acquiring profitable gaming related businesses. The company is based in Las Vegas, NV. It has a \$10 million line of credit, which can be extended. Their plans are to buy firms using a mix of cash and stock. You can read about their last 2 acquisitions [here](#).

12. Later that day, the Defendants sent another RumorSearch e-mail to RumorSearch subscribers stating that FEVI would be buying a racetrack in the United States that had \$220 million in revenue.

13. Contrary to the Defendants' representations on the RumorSearch website that RumorSearch would make "every effort" to "diligently investigate" information published on the website, the Defendants failed to investigate the information in the touts regarding FEVI.

14. Contrary to the representation in the FEVI Stock Pick of the Month profile that RumorSearch had communicated directly with FEVI, the Defendants never contacted FEVI to verify the information regarding the purported anticipated acquisitions or the projected resulting revenues. In fact, FEVI did not have upcoming acquisitions that would generate \$750 million in revenue; nor was FEVI purchasing a United States racetrack that had \$220 million in revenue.

15. Following the January 21, 2000, tout of FEVI, Johnson received a total of 95,000 FEVI shares, 16,000 shares on or about

January 25, 2000, and 79,000 shares on or about January 31, 2000, from, or at the direction of, persons affiliated with FEVI, including Alan Berkun, Allen Burditt and Christopher Young.

16. On January 26, 2000, the Defendants sent an e-mail to RumorSearch subscribers that stated in relevant part:

[W]e spoke with FEVI this morning to confirm the news will be released today, they said that it would be delayed until Monday. However the delay is good, as we understand the financing will be for a much larger amount than the original \$40 million we confirmed earlier. This is great news! They also confirmed that they are on track to announce another acquisition after the financing announcement next week. We like the management in this company, they seem to be very concerned about their shareholders. This increased amount of financing will enable them to make several additional acquisitions in the very near future. We will continue to send out updates on the company as we learn about them. . . .

In fact, the Defendants had not communicated with FEVI that morning.

17. On or about January 31 or February 1, 2000, the Defendants sent an e-mail to RumorSearch subscribers that stated:

[W]e just spoke with FEVI and they confirmed that they would have a press release today! They would not give a real reason why they did not release it yesterday. They did confirm that it was still going to be a financing agreement but they would not comment on the amount. We asked if it was still for \$100 million and they would not comment however they would not deny it either. This should be an interesting day for FEVI it is hard to say what it will do when the news hits so if you have a position we suggest that you watch it closely today. Good Luck!!!

In fact, the Defendants had not communicated with FEVI prior to sending this e-mail.

18. On February 1, 2000, the Defendants sent an additional e-mail to RumorSearch subscribers touting FEVI which stated:

[W]e want to make it very clear that we feel FEVI will see much higher levels from here. This financing announcement is just the beginning[sic] of a bunch of acquisitions[sic] for this company. We put out [Merchant Online.com, Inc.] at \$2.12 in December and today it is at \$10.00 we fell[sic] that FEVI has similar potential.

19. On February 22, 2000, the Defendants again touted FEVI, sending an e-mail to RumorSearch subscribers that stated in relevant part:

[T]his will be our last update for FEVI, we spoke with the company last week and they verified that they are still in negotiations for their next acquisition. . . .

C. Johnson Makes Undisclosed Sales Of FEVI Stock, Profiting By \$315,848

20. On January 24, 2000, Johnson sold the 9,200 FEVI shares which he had purchased on January 18 and 19, 2000, at \$3.25 to \$8.12 per share, for a profit of \$38,617.45. Johnson's sales occurred three days after the Defendants first touted FEVI stock on the RumorSearch website on January 21, 2000. The Defendants did not disclose on the RumorSearch website or elsewhere that Johnson owned 9,200 shares of FEVI stock at the time they touted FEVI on January 21, 2000; nor did the Defendants ever disclose Johnson's January 24, 2000, sales of FEVI stock.

21. From January 25 to February 22, 2000, while the Defendants were touting FEVI through RumorSearch as alleged

above, Johnson sold 57,300 of the 95,000 FEVI shares that he had received for touting FEVI, for a total profit of \$277,230.47.

22. Contrary to the disclaimer on the RumorSearch website that all compensation to RumorSearch from companies spotlighted on its web page would be disclosed, Johnson and RumorSearch never disclosed Johnson's receipt of 95,000 shares of FEVI stock; nor were Johnson's sales of the 57,300 shares of stock he had received from FEVI ever disclosed.

FIRST CLAIM FOR RELIEF

FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES

Violations of Section 10(b) of the Exchange Act

[15 U.S.C. § 78j(b)]

And Rule 10b-5 Thereunder [17 C.F.R. § 240.10b-5]

23. Paragraphs 1 through 22 are realleged and incorporated herein by reference.

24. Defendants Johnson and RumorSearch, by engaging in the above conduct, directly or indirectly, in connection with the purchase or sale of a security, by the use of means or instrumentalities of interstate commerce, or of the mails, or of a facility of a national securities exchange, with scienter:

- (a) employed devices, schemes or artifices to defraud;
- (b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under

which they were made, not misleading; or

- (c) engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit upon other persons.

25. By reason of the foregoing, Defendants Johnson and RumorSearch violated, and unless enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

SECOND CLAIM FOR RELIEF

UNDISCLOSED COMPENSATION FOR STOCK TOUTING

Violations of Section 17(b) of the Securities Act

[15 U.S.C. § 77q(b)]

26. Paragraphs 1 through 22 are realleged and incorporated herein by reference.

27. Defendants Johnson and RumorSearch, by engaging in the above conduct, by the use of means or instruments of transportation or communication in interstate commerce or by the use of the mails, published, gave publicity to, or circulated notices, circulars, advertisements, newspapers, articles, letters, investment services, or communications which, though not purporting to offer a security for sale, described such security for a consideration received or to be received, directly or indirectly, from an issuer, underwriter, or dealer, without fully disclosing the receipt, whether past or prospective, of such

consideration and the amount thereof.

28. By reason of the foregoing, Defendants Johnson and RumorSearch violated, and unless enjoined will continue to violate, Section 17(b) of the Securities Act [15 U.S.C. § 77q(b)].

PRAYER FOR RELIEF

Wherefore, the Commission requests that the Court:

I.

Issue findings of fact and conclusions of law that the Defendants committed the alleged violations.

II.

Permanently enjoin the Defendants and their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the order by personal service or otherwise, from violating Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and Section 17(b) of the Securities Act.

III.

Order Defendant Johnson to disgorge all gains resulting from his illegal conduct plus prejudgment interest thereon.

IV.

Impose a civil penalty against Defendant Johnson.

V.

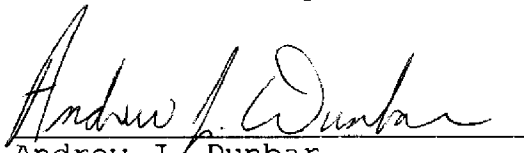
Retain jurisdiction of this action in accordance with the

principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VI.

Grant such other and further relief as this Court may determine to be just, equitable and necessary.

DATED: February 28, 2001


Andrew J. Dunbar
Attorney for Plaintiff
Securities and Exchange Commission