

JUDGE CASTEL

07 CIV 7969

SECURITIES AND EXCHANGE COMMISSION
New York Regional Office
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New York, NY 10281-1022
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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SEP 17 2007
U.S.D.C. S.D. N.Y.
CASHIERS

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

SMART ONLINE, INC., DENNIS MICHAEL NOURI,
REEZA ERIC NOURI, ANTHONY MARTIN,
JAMES DOOLAN, RUBEN SERRANO, AND
ALAIN LUSTIG,

Defendants.

07 Civ. _____

COMPLAINT

PRELIMINARY STATEMENT

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against defendants Smart Online, Inc. ("Smart Online"), Dennis Michael Nouri ("Michael Nouri"), Reeza Eric Nouri ("Eric Nouri"), Anthony Martin ("Martin"), James Doolan ("Doolan"), Ruben Serrano ("Serrano"), and Alain Lustig ("Lustig") (collectively, the "Defendants"), alleges as follows:

1. Smart Online stock began trading publicly on the OTC Bulletin Board in April 2005. Defendant Michael Nouri, the CEO of Smart Online, sought to qualify the company for listing on the NASDAQ by increasing the number of shareholders and trading volume of Smart Online stock.

2. In order to do so, Michael Nouri began paying bribes to stock brokers to solicit customers to purchase Smart Online stock. Michael Nouri paid bribes to Individual A, Individual B, and defendants Martin, Doolan, Serrano and Lustig (all brokers at brokerage firms).

3. In total, between May 2005 and January 2006, Michael Nouri paid over \$170,000 to brokers who sold more than 267,000 shares of Smart Online stock (or approximately 10% of the trading volume during the period) to investors. Michael Nouri concealed the bribes as “consulting fees” paid pursuant to sham consulting agreements. The brokers did not disclose to their customers that they were receiving bribes to sell Smart Online stock and Michael Nouri understood that this would be concealed from the customers.

4. During the scheme, Eric Nouri also negotiated bribe payments to Individual A and directed Individual A to purchase stock at various amounts and prices.

5. By late 2005, Smart Online had qualified for listing on the NASDAQ. On January 17, 2006, the day that Smart Online was scheduled to begin trading on the NASDAQ, the Commission suspended trading of the stock. Smart Online stock did not trade on the NASDAQ.

6. The Defendants, directly or indirectly, have engaged in transactions, acts, practices and courses of business which constitute violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. § 77q(a), and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5.

JURISDICTION AND VENUE

7. The Commission brings this action pursuant to Section 20(b) of the Securities Act, 15 U.S.C. § 77t(b), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), to enjoin the Defendants from engaging in the acts, practices and courses of business alleged herein. The Commission also seeks a judgment ordering Michael Nouri, Eric Nouri, Martin, Doolan, Serrano, and Lustig to disgorge their ill-gotten gains with prejudgment interest thereon and to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3). In addition, the Commission seeks an order barring Michael Nouri from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, or that is required to file reports pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d). The Commission also seeks such other relief as the Court may deem appropriate.

8. This Court has jurisdiction of this action pursuant to Sections 20(d) and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(d) and 77v(a), and Sections 21(d) and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d) and 78aa.

9. Venue in this District is proper pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C. § 78aa. Certain of the transactions, acts, practices, and courses of business alleged herein occurred within this District. For example, Michael Nouri met with Individual A and Individual B at various locations in New York City to discuss the bribery scheme, and in accordance with the scheme, Martin, Doolan,

