

ADMINISTRATIVE PROCEEDING
File No. 3-18072

Former Director of Microcap Movie Studios Settles Scalping and Antitouting Charges

July 25, 2017 - The Securities and Exchange Commission announced today that Joey Giamichael, a former director of Medient Studios, Inc. and Medient's successor, Fonu2, Inc., has agreed to settle charges that he engaged in scalping, antitouting, and disclosure violations of the securities laws. Giamichael's New York-based penny stock research company, Umbrella Research, LLC, also agreed to settle charges that it engaged in scalping and antitouting violations.

According to the SEC's order, Giamichael is the co-founder and CEO of Umbrella. From at least August 2012 through October 2014, Umbrella drafted and published at least forty-five penny stock research reports in exchange for either cash or securities. All of the reports included "buy" recommendations and price targets for the covered issuers that were above current market prices at the time of publication. In addition, the order finds that both Umbrella and Giamichael regularly traded in the securities of four issuers. According to the order, in seven separate instances between August 2013 and August 2014, Giamichael and/or Umbrella sold shares of certain of the issuers on the same day that Umbrella published a "buy" recommendation and price target in excess of the current market price. A person recommending the purchase of a security to the public as an investment while selling that security contrary to the recommendation, without disclosure, engages in a deceptive practice known as scalping.

The order finds that in the seven instances, the reports did not disclose that Umbrella and Giamichael were selling contrary to the reports' "buy" recommendations and price targets. Umbrella's reports disclosed that Umbrella and its members and employees "may, and in many instances do, hold positions in securities mentioned in its reports, and may, and in many instances do, otherwise effect the purchase or sale of securities, including those mentioned in its reports." Although Umbrella and Giamichael consulted with an attorney regarding this disclosure language, the order finds that Giamichael and Umbrella did not obtain legal advice regarding whether the language adequately disclosed that Giamichael and Umbrella would contemporaneously sell contrary to the recommendations Umbrella would make in its reports.

According to the order, each of the issuers paid Umbrella at least \$25,000 annually for research coverage. The order finds that although the reports disclosed that Umbrella and Giamichael were paid to draft and publish the reports, the reports failed to disclose the amount of compensation received by Umbrella and Giamichael, in violation of the antitouting provision of the Securities Act of 1933.

The order also finds that Giamichael was a member of the Medient board of directors from November 2012 through February 2015, and a member of the Fonu2 board of directors from March 2015 through September 2015. According to the order, as a director of Medient and Fonu2, Giamichael had a responsibility to timely report his stock ownership in the companies while serving on their boards, but failed to do so.

The order finds that by failing to properly disclose their contemporaneous securities trades that were contrary to the recommendations in the reports, and by failing to properly disclose the amount of compensation that they received in exchange for the reports, Giamichael and Umbrella violated Sections 17(a)(2) and (3) and Section 17(b) of the Securities Act, and Giamichael caused Umbrella to violate those same provisions. The order states that scienter is not required under Sections 17(a)(2) and (3); proof of negligence is sufficient. The order further finds that Giamichael's failure to timely report his stock ownership in Medient and Fonu2 violated Section 16(a) of the Securities Exchange Act of 1934, and Rule 16a-3 thereunder. Without admitting or denying the findings, Giamichael and Umbrella agreed to a cease-and-desist order and to pay disgorgement, prejudgment interest, and civil penalties totaling approximately \$75,000.

The investigation was conducted by Joshua M. Dickman of the SEC's Atlanta Regional Office under the supervision of Natalie M. Brunson and Aaron W. Lipson.

See also: [Order](#)