

Plaintiff Securities and Exchange Commission (“Commission”) alleges the following against Defendant Colin McCabe (d/b/a Elite Stock Report, The Stock Profiteer, and Resource Stock Advisor) (“McCabe”), and hereby demands a jury trial:

SUMMARY OF ALLEGATIONS

1. Defendant McCabe is a stock promoter who published three newsletters that targeted United States investors: Elite Stock Report, The Stock Profiteer and Resource Stock Advisor. Using these publications and through other mass mailings, McCabe touted various stocks to investors while making false and misleading representations and omissions, and receiving substantial fees for himself which were not disclosed to his subscribers.

2. McCabe touted stocks through the three publications using periodic newsletters recommending stocks to paid subscribers, and mass mailings recommending stocks to non-subscribers.

3. From at least early 2008 through 2011, McCabe, among other things, falsely claimed that the recommendations in his newsletters and promotional mailings were based on extensive research, a research team, experience and contacts, when in fact they were not; he failed to disclose to his newsletter subscribers that he was being paid substantial sums to recommend at least ten of the same stocks in his other publications; and he made false and misleading statements about the assets of one of the issuers he recommended, Guinness Exploration Inc. (“Guinness”).

4. McCabe’s false and misleading statements misled investors who bought and sold stocks based on McCabe’s recommendations. McCabe’s touting often boosted the prices of stocks he touted for a short time only, harming subscribers who followed his advice because the stock prices declined after the initial tout. During the period, McCabe received approximately

\$16 million in fees for promoting ten stocks that he also touted to his subscribers under false pretenses.

SECURITIES LAWS VIOLATIONS

5. By virtue of the conduct alleged herein, the Defendant, directly or indirectly, engaged in acts, practices, and courses of business that violated Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5(b) thereunder [17 C.F.R. 240.10b-5(b)].

6. Unless Defendant is permanently restrained and enjoined, he is likely to again engage in acts, practices, and courses of business similar to those set forth in this Complaint.

JURISDICTION AND VENUE

7. The Commission brings this action pursuant to Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] seeking, among other things, to restrain and enjoin permanently the Defendant from engaging in the acts, practices, and courses of business alleged herein. The Commission further seeks a final judgment ordering McCabe to disgorge his ill-gotten gains, with prejudgment and post-judgment interest; ordering him to pay civil monetary penalties pursuant to Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)]; and (c) granting such equitable and other relief as the Court deems just, appropriate, or necessary for the benefit of investors.

8. This Court has jurisdiction over this action pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa].

9. Venue is proper in this District pursuant to 28 U.S.C. § 1391(b), and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

10. Resource Stock Advisor operated using a mailing address in this District. Events or omissions giving rise to the claims asserted herein occurred in this District, including acts constituting violations of the Exchange Act.

DEFENDANT

11. Colin McCabe, age 29, is a Canadian citizen and is believed to reside in British Columbia, Canada. McCabe is a professional penny stock promoter and newsletter publisher. McCabe was the sole owner and operator of the Elite Stock Report, The Stock Profiteer and Resource Stock Adviser publications.

FACTUAL ALLEGATIONS

McCabe's Newsletter Business

12. McCabe began monthly publication of the Elite Stock Report newsletter in 2006. In 2009, he began publication of The Stock Profiteer and Resource Stock Advisor newsletters . McCabe sent subscribers monthly subscriber newsletters as well as special alerts or notices recommending they buy particular stocks. Between 2008 and 2011, McCabe had thousands of subscribers for his three publications.

13. Each issue of the Elite Stock Report, The Stock Profiteer and Resource Stock Advisor newsletters generally included some introductory text and commentary on the markets followed by McCabe's recommendations for subscribers to purchase particular stocks.

14. At the end of each issue of Elite Stock Report and The Stock Profiteer, McCabe included a table listing all of his currently recommended stocks.

15. McCabe also conducted paid mass mailing stock promotions using the mastheads of Elite Stock Report, The Stock Profiteer and Resource Stock Advisor and in those mailings he

recommended issuers he had been paid substantial sums to promote. McCabe distributed these mass mailings widely to non-subscribers.

16. Between January 2008 and February 2011, McCabe was paid more than \$16 million to conduct these mass mailing promotions, and touted each of the stocks involved to his newsletter subscribers.

17. McCabe's stock recommendations in Elite Stock Report, The Stock Profiteer and Resource Stock Advisor often had the effect of quickly boosting the volume and price of the stocks he recommended. McCabe regularly touted enormous gains in price achieved by stocks he recommended, but these gains were fleeting, and investors who bought stocks recommended by McCabe often suffered substantial losses when the market for these shares collapsed.

18. McCabe was solely responsible for the content of each of the Elite Stock Report, The Stock Profiteer and Resource Stock Advisor publications, as well as the content of the publications' Internet websites.

McCabe's "Research" Claims Were False or Misleading

19. Beginning in 2006, when McCabe began publishing Elite Stock Report, and in 2009, when McCabe began publishing The Stock Profiteer and Resource Stock Advisor, McCabe falsely claimed that his Elite Stock Report, The Stock Profiteer and Resource Stock Advisor publications were the result of extensive research conducted by researchers with relevant expertise and contacts. In fact, McCabe's research was limited to reviewing issuer filings with the Commission, press releases, and the issuer website. He did not have any assistance in researching stocks or writing his publications. These false and misleading statements are believed to have continued through 2011, when McCabe claims to have ceased publishing Elite Stock Report, The Stock Profiteer and Resource Stock Advisor.

20. In the January 2009 issue of Elite Stock Report, McCabe falsely claimed that “[w]e research every company intensely and no company gets the go ahead unless they pass the ‘Profit-Potential Checklist.’ One of the must-haves on that list is a high probability of big, juicy returns. Triple-digits minimum.” Clearly, there was no “we” since McCabe alone did the research. Also, McCabe did not utilize “Profit-Potential Checklist” to assess the probability of such extraordinary returns.

21. Elite Stock Report’s website also falsely claimed that McCabe identified his recommendations “[t]hrough his network of global connections” and claimed that “his contacts extend deep into the world’s hottest resource investment zones — particularly Asia, Europe, and of course, North America — resulting in a wealth of knowledge and opportunity for his readers.” In fact, McCabe’s recommendations were not acquired or informed by a network of global connections, and were instead the result of McCabe’s review of public filings and issuer websites.

22. When Elite Stock Report moved to an online-only format for subscribers beginning with the January 2009 issue, it claimed that the change meant that “we can provide you with . . . more in-depth analysis [and] additional ground breaking research . . . of the companies we follow.” However, McCabe did not conduct any such “ground breaking research” or “in-depth analysis” prior to making stock recommendations.

23. Similarly, McCabe falsely represented on The Stock Profiteer website that a “research team” made the stock recommendations in The Stock Profiteer. McCabe claimed that “[o]ur research team has hundreds of information sources and contacts, and years of experience in the analysis of small stocks.” In fact, there was no research team, McCabe made stock recommendations himself, and he had no special expertise or network of contacts.

24. McCabe claimed on The Stock Profiteer website that his researchers applied “a scientific (and proven) selection methodology to small stocks...” In the first issue of The Stock Profiteer, McCabe falsely represented that recommended stocks were identified by “my time-tested, proprietary investing methodology.” Subsequent issues also referenced McCabe’s proprietary research and “proprietary system” for selecting stocks. However, there was no “proprietary” system or scientific methodology.

25. McCabe also misled readers about who prepared The Stock Profiteer publications. When McCabe began publishing The Stock Profiteer in 2009, he sent an alert to Elite Stock Report subscribers which read: “My good friend Joe Marino is launching his brand new publication The Stock Profiteer tomorrow, and he was kind enough to make you a very special offer because you’re a loyal Elite Stock Report subscriber...Joe will be releasing his first blockbuster pick tomorrow and from what he’s told me, it’s a sure-fire grand slam.” The Stock Profiteer publications consistently stated that Joe Marino was the editor. However, Joe Marino never existed and is an alias used by McCabe to disguise his responsibility for The Stock Profiteer.

26. McCabe made similar false statements with respect to Resource Stock Advisor in various publications disseminated between 2009 and 2011. Under the heading “Who is Roger Gaines?” Resource Stock Advisor’s website claimed that he is “[a] highly-trained economist who can spot trends before they happen, Roger Gaines spent most of the last decade either working ‘in the trenches’ of Wall Street or traveling the globe in search of the world’s best resource investment opportunities.” However, Roger Gaines never existed and is simply another alias used by McCabe. McCabe has no experience “working ‘in the trenches’ of Wall Street” and, in fact, he was writing his stock promoting newsletters from his home in British Columbia

Similarly, McCabe did not travel the world in search of resource companies to recommend to his readers.

27. McCabe knowingly or recklessly made the above misleading statements and omissions regarding his purported research process, publications, and stock recommendations. These misleading statements and omissions were material since subscribers and investors considered the information provided by McCabe when deciding whether to buy his recommended stocks and they would have been less likely to buy the stocks he recommended if they had known the true facts.

McCabe Did Not Disclose Stock Promotion Payments to Paid Subscribers

28. As described above, McCabe told his subscribers that his stock picks were the result of extensive research, experience, and contacts. In fact, McCabe was being paid more than \$16 million to promote some of these stocks. However, McCabe did not disclose his receipt of this compensation to his subscribers even though he was being compensated during the same timeframe that he recommended the stocks to them.

29. For example, between October 9, 2009 and May 2010, The Stock Profiteer was paid \$3,450,000 to promote Global Health Ventures Inc. (“Global Health”) and did so in a number of mailings sent to non-subscribers. The very same day that The Stock Profiteer invoiced the first payment to promote Global Health, it separately recommended the company to its subscribers. It continued to recommend the stock to its subscribers in each subsequent issue during the promotion period. Despite the fact that Elite Stock Report generally reported only on energy and mineral companies, Elite Stock Report issued an “IMMEDIATE BUY ALERT” on Global Health to its VIP subscribers on October 9, 2009 – the same day The Stock Profiteer invoiced a Swiss entity \$500,000 for touting the stock – and again a few days later. McCabe

never disclosed to subscribers of either newsletter that he had been paid \$3,450,000 to promote Global Health.

30. Another example is McCabe's promotion of Guinness. Between January 2010 and May 2010, McCabe was paid \$2,650,000 to promote Guinness Exploration. McCabe began recommending Guinness to subscribers of Elite Stock Report in buy notices he sent to them in January 2010. While McCabe was recommending the stock to his subscribers in early 2010, he issued multiple invoices for paid promotions but never disclosed these payments to his subscribers.

31. Similarly, between January 2010 and March 2011, McCabe was paid more than \$2,500,000 to promote Titan Oil & Gas, Inc. ("Titan"). During this period, McCabe recommended that Resource Stock Advisor subscribers invest in Titan, but never informed them that he had been paid to promote the stock.

32. McCabe knowingly or recklessly failed to disclose to his subscribers information regarding his compensation for promoting stocks. This information would have been material to a subscriber assessing McCabe's stock pick recommendations, particularly since McCabe's claims about his research and methodologies suggested that his stock picks were objective when in fact, they were not.

McCabe's False and Misleading Statements Concerning Guinness Exploration

33. In February 2010, McCabe distributed a paid mass mailing to non-subscribers as an Elite Stock Report "Special Report" titled "My latest junior gold pick will hand my subscribers Monster-gains inside the next 60 days...and could go 10-for-1 in the next 12 months." The recommended stock was Guinness, and McCabe distributed a virtually identical report multiple times over the next several months.

34. In those reports, and in concurrent Elite Stock Report subscriber publications, McCabe falsely represented that Guinness had acquired an 8,000 acre property in the middle of the Tintina Gold Belt in the Yukon Territory of Canada well before discoveries in May 2009 turned the region into “a red-hot area play.” McCabe also claimed that the property held “an estimated recoverable resource in excess of 1 million ounces of gold.”

35. In fact, Guinness had not purchased the relevant property until November 2009 – well after the May 2009 discoveries that McCabe claimed increased the value of the property. Thus, McCabe’s statements about the fortunate timing of Guinness’ property acquisition were false and misleading. Moreover, Guinness never claimed that its property held “an estimated recoverable resource in excess of 1 million ounces of gold,” and McCabe’s representations in this regard were false and misleading.

36. McCabe’s false statements concerning Guinness were material because they related to the value of Guinness’ only mineral property, and the company had no other business prospects. McCabe knew or was reckless in not knowing that the statements were false and misleading.

FIRST CLAIM FOR RELIEF
(Violation of Section 10(b) of the Exchange Act and Rule 10b-5(b))

37. The Commission repeats and realleges Paragraphs 1 through 36 of this Complaint as if fully set forth herein.

38. As alleged herein, McCabe, directly or indirectly, with scienter, by the use of the means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange, in connection with the purchase or sale of securities, made untrue statements of material facts and omitted to state material facts necessary in order to make statements made, in the light of the circumstances under which they were made, not misleading.

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

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

- A. Find that Defendant McCabe committed the violations alleged in this Complaint.
- B. Enter an Injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently restraining and enjoining Defendant McCabe from violating the laws and rules alleged against him in this Complaint.
- C. Order that Defendant McCabe disgorge his ill-gotten gains, together with pre-judgment and post-judgment interest, derived from the conduct alleged in this Complaint.
- D. Order Defendant McCabe to pay a civil monetary penalty pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)];

E. Retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered; and

F. Award such other and further relief as the Court deems just and proper.

Dated: March 4, 2013

SECURITIES AND EXCHANGE COMMISSION,

By: /s/ Thomas M. Melton

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