UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

MARK E. RICE d/b/a/ PRIMEX CAPITAL,
and
STATUS WINES OF TUSCANY, INC.
f/k/a PORTALZONE.COM, INC.

Defendants,

APPLEGATE SENTRY, S.A.
PRIMEX (USA), INC.

Relief Defendants.

Civil Action No. H-02-0636

**SECOND AMENDED COMPLAINT**

Plaintiff Securities and Exchange Commission for its complaint alleges as follows:

## I. SUMMARY OF THE ACTION

1. Between September 1999 and July 2000, Mark E. Rice d/b/a Primex Capital carried out schemes to manipulate the stock of four publicly held companies, Rockport Healthcare Group, Inc. ("Rockport"), Global Connections, Inc. ("Global Connections"), Pinnacle Business Management, Inc. ("Pinnacle") and Status Wines of Tuscany f/k/a Portalzone.com, Inc. ("Portalzone").

2. The schemes involved issuing tens of millions of fraudulent "spam" e-mail messages, which were drafted by Rice and disseminated by a third party at his direction.

3. The schemes for two of the companies, Rockport and Portalzone, also involved manipulative trading by Rice, including "marking the close," placing matched orders and wash sales. Rice also purchased Rockport stock in an effort to manipulate the market while engaged in an ongoing distribution, and drafted fraudulent press releases and other promotional materials regarding Rockport and Portalzone.

4. The schemes enabled Rice, and his alter ego entities, relief defendants Primex (USA), Inc. ("Primex") and Applegate Sentry, S.A. ("Applegate"), to sell restricted stock of three of the four companies into the resulting inflated market for total profits of approximately $900,367.

5. Defendant Rice has, directly and indirectly, engaged in, and unless restrained and enjoined by this Court will engage in, transactions, acts, practices, and courses of business that violate Sections 5(a), 5(c) and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c) and 77q(a)], and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 and Rule 101 of Regulation M [17 C.F.R. § 240.10b-5 and 17 C.F.R. § 242.101] promulgated thereunder. Defendant Portalzone has, directly and indirectly, engaged in, and unless restrained and enjoined by this Court will engage in, transactions, acts, practices, and courses of business that violate Section 10(b) of the Exchange Act and Rule 10b-5.

6. The Commission brings this action pursuant to the authority conferred upon it by Section 20 of the Securities Act [15 U.S.C. § 77t] and Section 21(d) and (e) of the

Exchange Act [15 U.S.C. §§ 78u(d) and (e)] for an order permanently restraining and enjoining the Defendants and granting other relief.

## II. JURISDICTION AND VENUE

7. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77u(a)] and Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e) and 78aa]. Venue lies in this Court pursuant to Section 22(a) of the Securities Act and Section 27 of the Exchange Act.

8. In connection with the transactions, acts, practices, and courses of business described in this Complaint, the defendants, directly and indirectly, have made use of the means or instrumentalities of interstate commerce, of the mails, and/or of the means and instruments of transportation or communication in interstate commerce.

9. Defendant Rice maintains an office within this judicial district and resides within this judicial district. Additionally, certain of the transactions, acts, practices and courses of business constituting the violations of law alleged herein occurred within this judicial district.

## III. DEFENDANTS AND RELIEF DEFENDANTS

10. Mark E. Rice, age 41, is a resident of Sugar Land, Texas who has a high school diploma. Rice has no experience in the securities industry. Since 1998, Rice, using the business name "Primex Capital," has held himself out as an investment banker capable of raising capital for developmental stage companies.

11. Status Wines of Tuscany, Inc. f/k/a Portalzone.com, Inc. is a Nevada corporation. In 2000, Portalzone claimed to possess a sophisticated Internet search engine. Portalzone's stock is quoted in the Pink Sheets.

12. Primex (USA), Inc. is a Nevada corporation that has numerous bank and brokerage accounts. Rice is Primex's chief executive officer.

13. Applegate Sentry S.A. is a Bahamian corporation that is controlled by Rice.

## IV. THE TOUTED COMPANIES

14. Rockport Healthcare Group, Inc. is a Delaware corporation with its principal offices in Houston, Texas. Rockport provides services including medical health care networks for occupational illnesses and injuries and individual and group medical networks. Rockport's stock is quoted on the OTC Bulletin Board.

15. Global Connections, Inc. is a Nevada corporation with its principal offices in Denver, Colorado. It provides insurance technology marketing and support for consumers and insurance agents. Global Connections' stock is quoted in the National Quotation Bureau's Pink Sheets.

16. Pinnacle Business Management, Inc. is a Nevada corporation with offices in Clearwater, Florida. It is a holding company with a subsidiary engaged in consumer lending. Pinnacle's stock is quoted on the OTC Bulletin Board.

## V. FACTS

### THE PUMP: RICE FALSELY TOUTS ROCKPORT, GLOBAL CONNECTIONS, PINNACLE AND PORTALZONE

17. Rice hired a third party to send millions of unsolicited and fraudulent e-mail

messages, commonly known as "spam," publicizing Rockport, Global Connections, Pinnacle and Portalzone between September 1999 and May 2000.

18. Between 20 and 30 million e-mails regarding Rockport were disseminated between September 22 and December 1, 1999; between 1 and 2 million e-mails regarding Pinnacle were disseminated on October 28 and 30, 1999; more than 20 million e-mails regarding Global Connections were disseminated on February 8, March 13-14, and May 4 and 12, 2000; and 8 million e-mails regarding Portalzone were disseminated between May 27 and May 29, 2000.

19. All of the messages contained complete or partial copies of recent press releases, including press releases previously issued by Rockport and Portalzone. The spams also contained stock price projections. Almost all of the spams purported to be "strong buy" recommendations, and several purported to be misdirected "hot stock tips" intended for a friend of the sender, e.g., "Hey Tim, I followed the advice of these guys last time."

20. Rice wrote, or approved of, the text of all of the messages.

21. Rice hired an Internet promoter who used the name "the Subway.com" to prepare press releases and e-mails promoting Rockport, which were distributed by on August 16, August 30 and September 3, 1999. The promoter prepared the reports based on information provided by Rice. Rice either discussed the contents of the reports with the promoter, or reviewed the reports prior to their dissemination.

22. Rice hired a different Internet promoter who used the name "BigProfitNews" to send e-mail newsletters promoting Rockport stock on September 2, 1999. Rice was the source of the information contained in these newsletters.

**False Statements About Portalzone**

23. At Rice's direction, Portalzone issued eight press releases dated August 11, August 23, and October 26, 1999, and March 6, March 31, April 14, May 2, and July 21, 2000. Rice drafted and issued all of the releases.

24. Seven of the eight Portalzone press releases, as well as the spam e-mails disseminated by Rice, stated that Portalzone possessed an Internet search engine with a proprietary search method.

25. The August 23, 1999 and March 6, 2000 press releases further stated that Portalzone's "programmers" had been working for several months to develop the search engine. The March 31, April 14 and May 2, 2000 press releases further stated that: (a) the search engine was being adapted to work on wireless handheld devices; and (b) "beta" testing of the search engine was "continuing" or would start soon. The March 31, 2000 press release also stated that Portalzone "continues to make significant strides in the development of the new software programming that will provide new state of the art technology to TV and Internet viewers."

26. These statements were false. Portalzone employed no programmers and had no funds to develop the search engine, which never existed and was never tested. Portalzone never possessed, and took no steps to develop, the claimed software programming.

27. Portalzone's April 14, 2000 press release and the Portalzone spams stated that Portalzone had "revenue sources," including "software development contracts, website advertising, software licensing fees, private labeling of the search engine [mechanism], and merchandise partnerships to resell hot products through the portal." Further, the company's August 11, 1999 press release stated that the company had "dozens of international and hundreds of northern hemisphere companies as clients."

28. These statements were false because Portalzone had no revenue sources or clients.

29. Portalzone's July 21, 2000 press release stated that a company named Diversified Diagnostics Management, Inc. had purchased certain of Portalzone's assets and technology. This statement was false since no such asset or technology transfer took place.

30. The July 21, 2000 press release also claimed that Portalzone "expect[ed] to file a Registration statement [sic] with regulatory authorities in early August 2000." Portalzone's October 26, 1999 press release similarly stated that Portalzone "will immediately file their [sic] Form 10 to become a fully reporting company." These claims lacked a reasonable basis since Portalzone did not have the financial means to file a registration statement. To date, no such registration statement has been filed with the Plaintiff Securities and Exchange Commission.

**False Statements About Rockport and Global Connections**

31. Some of the spam e-mails sent at Rice's direction stated that Rockport "expect[ed] to generate" $4.3 million in revenues from its workers compensation

subsidiary. Further, the Subway.com promotional report issued at Rice's direction on August 30, 1999 and the September 2, 1999 BigProfitNews newsletter, also issued at Rice's direction, both stated that the company expected to generate $12.7 million in revenues within an unidentified period.

32. These financial projections lacked a reasonable basis because they assumed that Rockport would receive full financing, which was not assured. Rockport's Form 10-K filed with the Commission on June 29, 2000 reported only $294,193 in revenues for the entire 1999 fiscal year ended March 31, 2000.

33. Some of the other spams drafted or approved by Rice described Rockport as having "profits." This statement was false since Rockport reported losses of more than $4 million for the 1999 fiscal year.

34. The same spams predicted that Rockport would "move to NASDAQ" very soon. This statement lacked a reasonable basis. Listing on the Nasdaq Small Cap market requires a company to have: (a) net tangible assets of $4 million, (b) market capitalization of $50 million, or (c) net income of $750,000 in the most recently complete fiscal year or in two of the last three most recently completed fiscal years; and (d) a bid price of common stock of at least $4 per share. As of the date of the spams (mid-November 1999), Rockport's most recent Form 10-Q filed on August 13, 1999 reported assets of only $345,541. At that time, the company's market capitalization was only approximately $10.8 million, it had reported a $1.7 million net loss for the fiscal year ended March 31, 1999, and its bid price was about $2.19 per share. Accordingly, Rockport could not meet the Nasdaq requirements.

35. Some of the Global Connections spams issued at Rice's direction stated that the company's stock had recently been removed from the OTC Bulletin Board and was being quoted on the Pink Sheets because a proposed merger with an unidentified Nasdaq company "fell through."

36. These statements were false because Global Connections' failure to file reports with the Commission caused its removal from the Bulletin Board, and no merger was contemplated by the company.

**Other False Statements: Stock Price Projections, Rice's Stock-Picking Track Record and Rice's Trading Intentions**

37. The Portalzone spams predicted that the price of the stock, which was then trading at $2 per share, would reach $6 per share in the "short term." The Pinnacle spams predicted that that company's stock, which was then trading at about $.14 per share, would "pop like mad" to $.50 "in the very short term."

38. Some of the Global Connections spams identified a "short term price goal" of $6.75 per share for the company's stock, which was then trading at $1 per share. Other Global Connections spams listed a "short term target" price of between $2 and $4 per share, compared with a current price of $.44 per share.

39. Some of the Rockport spams listed a "short term" price goal of $8.00 per share, whereas the stock was trading at about $2.38. The Subway.com promotional reports for Rockport, which was then trading in the $4.38-$6.00 range, listed a short-term "target" price of $10-$12 per share, and the BigProfitNews newsletter predicted that Rockport's stock price "could reach as high as $7 or $8 rather quickly."

40. The price projections for Rockport, Global Connections and Portalzone stock had no reasonable basis as demonstrated by the poor past financial performance of each company. The price projections for Pinnacle stock also had no reasonable basis because the stock was scheduled to be delisted from the Bulletin Board within three months, absent compliance with National Association of Securities Dealers ("NASD") rules. This event would tend to negatively impact the stock's liquidity, and, accordingly, its price. None of the promoted stocks reached the projected price levels.

41. The Pinnacle spams implied that investors would have made a "ton of cash" by following the previous recommendations of the person(s) responsible for the spams, namely Rice. The later Global Connections spams stated that "our last 4 picks have all tripled in value."

42. These statements were false since some investors who followed Rice's only recommendation prior to the Pinnacle spams (Rockport) would have incurred short-term losses, and Rice's prior recommendations had not tripled.

43. The Portalzone spams stated "[y]ou know what these guys did with [another named stock] this could be a big winner too!!!!" Similarly, the Rockport spams suggested that the investor purportedly forwarding the spam had profited by buying two other stocks that were previously recommended by "these guys," i.e., Rice.

44. These statements were false since Rice did not recommend these stocks.

45. The Portalzone spams stated that the sender "will accumulate [Portalzone] shares through $8 [per share]." The Rockport spams stated that "I am going to buy some of this [stock]" or "I will be buying heavy today."

46. These statements were false. Rice sold a substantial quantity of Rockport stock, and sold 2,500 shares of Portalzone stock shortly after the spams for these stocks were disseminated.

47. Some of the spams recommended Global Connections stock as a "strong buy."

48. This statement was misleading because it did not disclose the sales by Rice of substantial quantities of that stock during the period of the fraudulent spams.

**Rice Acted Fraudulently**

49. Rice knew that the statements in the eight press releases and the spams about Portalzone were false. Rice, who had promised to provide substantial funds to the company, had failed to do so and therefore knew that the company could not develop a search engine or prepare a registration statement. Further, Rice knew that Portalzone had no clients or revenues, and that the acquisition of its assets by another entity did not occur. Finally, Rice knew that the statements about his trading intentions and track record were false. Portalzone's de facto president knew the statements in the eight press releases about Portalzone were false, because Portalzone did not possess an Internet search engine, it did not have the funds to employ programmers to develop the search engine or conduct testing, and did not sell its assets to another company. Portalzone's de facto president repeatedly told Rice that statements in the press releases about "beta testing" of the search engine were false. The knowledge of Portalzone's de facto president that the statements in the press releases were false is attributed to Portalzone.

50. Rice acted fraudulently in describing Rockport as profitable and repeating financial projections contained in its press releases since these statements were contradicted or undermined by publicly available information about Rockport's past financial performance. Further, Rice in predicting imminent Nasdaq listing for Rockport committed fraud because even a cursory review of Nasdaq's listing requirements on its publicly accessible Internet website would have disclosed that Rockport did not satisfy such requirements.

51. Rice acted fraudulently in making stock price projections about each of the four touted companies since these projections were not supported by publicly available information about three of the companies' poor past financial performance, and Rice could have readily determined that the fourth company (Pinnacle) was not in compliance with NASD listing requirements. Rice acted fraudulently in falsely stating that a failed business combination was the reason for Global Connections' removal from the Bulletin Board, since the NASD had previously publicized its intention to delist the stock for failing to comply with such requirements.

52. Rice admitted his manipulative intent to the third party who disseminated the spams at his direction. Rice stated to this person that: (1) it was "important" that about 50,000 shares of Rockport stock trade each day; (2) recent Rockport volume was "not good," and "it [did] not appear we got out any emails last night or today;" and (3) "the thing I like about emailing at night is that rush in the morning is very good for a stock. I[t] makes the marketmakers [sic] sit up and take notice in a big way . . . if we can keep the momentum going through out [sic] the day, we win."

## THE DUMP: STOCK SALES BY RICE

53. Rice sold his personal holdings of three of the four publicized stocks into the inflated markets he created. Shortly after dissemination of spam e-mails or other Internet publications, Rice sold substantial quantities of Portalzone, Global Connections and Rockport stock. Through these sales, Rice realized profits of $89,528, Primex realized profits of $759,174 and Applegate realized profits of $51,665, representing $900,367 of combined profits.

54. Rice's stock sales in part consisted of unregistered distributions. At least 88,400 shares of Rockport stock sold by Rice and his entities were obtained through a transaction in which Rockport, in effect, arranged for Rice to obtain purportedly unrestricted shares of its stock. In this transaction, in February 1999, certain private investors who had held Rockport shares for several years conveyed their shares to Primex, and were in turn reimbursed by Rockport.

55. All of the Global Connections stock was sold to Primex between November 1999 and April 2000 purportedly in reliance on Regulation D, Rule 504. At least some of the Portalzone stock sold by Rice's entity Primex were obtained directly from the company in March-April 2000.

56. Rice sold shares soon after receiving them from Rockport, Global Connections, and Portalzone.

## MANIPULATIVE TRADING BY RICE: MARKING THE CLOSE; WASH SALES AND MATCHED ORDERS; PURCHASES DURING A DISTRIBUTION

57. Rice engaged in a range of manipulative conduct regarding Rockport and Portalzone by marking the close and engaging in wash sales and matched orders.

With regard to Portalzone, Rice placed 28 buy orders near the end of the trading day on 21 separate dates between March 21 and June 28, 2000, including on 13 of 26 trade dates between April 7 and May 12, 2000.

58. The price at which 25 of the 28 orders were executed was higher than the price of the previously executed trade. The orders were placed through six different accounts at five different brokerage firms, including 18 orders placed through two Internet firms. On nine of the 21 dates, Rice's orders represented the last reported trade of the day. The quantity purchased by Rice was typically 100 shares, although some orders were for as many as 2,500 shares.

59. On eight separate dates between March 24 and May 19, 2000, Rice engaged in nine sets of wash sales, or matched orders, of Portalzone stock with accounts controlled by his relatives or acquaintances. These orders were placed through accounts in Rice's name, as well as in the names of Primex and another private corporation that he controlled. On the dates that matched orders or wash sales occurred, Rice's trading represented between 20% and 66% of total reported volume, averaging 42%.

60. On 38 dates between March 3, 1999 and December 3, 1999, Rice marked the close in Rockport stock by placing buy orders shortly before the end of the trading day. The majority of these orders were market orders for 100-200 shares. On 24 of the 38 dates, the orders were at prices representing an increase from the last reported trade; on nine of the dates, the orders were at same price as the last reported trade.

61. Further, on 16 dates between and March 26 and October 26, 1999 (including 5 of the same dates on which "marking the close" orders were placed), Rice engaged in wash sales through accounts in his name, as well as in the names of Primex and an offshore entity he controlled. Rice's trading on these 16 dates represented between 9% and 86% of total reported trades, averaging 41%.

62. Rice placed 22 orders to purchase Rockport stock while he was engaged in the distribution of that stock between August 31 and November 30, 1999, a period that coincided with the Internet publicizing described above. Eleven of the 22 orders were either part of matched order/wash sale transactions, or marked the close, as described above. Three of the 22 orders occurred on September 27, 1999, a date when the stock closed at a price representing an increase of 119% from the closing price several days earlier.

**PRICE AND VOLUME MOVEMENT**

63. The price and trading volume of each of the touted companies' stocks significantly increased as a result of the combination of the scheme. The manipulated increases for the stock prices ranged from 31% to 616%. Volume for these stocks increased from 62% to 1,829% during the respective manipulations.

## VI. FIRST CLAIM FOR RELIEF

(Violations of Exchange Act §10(b) and Rule 10b-5 [15 U.S.C. §§ 78j(b)])

64. Paragraphs 1 through 63 are hereby realleged and incorporated by reference.

65. Defendants Rice and Portalzone, with scienter, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce or

of the mails, directly or indirectly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the 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 purchasers of securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

66. By reason of the foregoing, the Defendants violated, are violating, and unless restrained and enjoined will continue to violate Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

## VII. SECOND CLAIM FOR RELIEF

(Violations of Securities Act § 17(a)(1) [15 U.S.C. § 77q(a)(1)])

67. Paragraphs 1 through 63 are hereby realleged and incorporated by reference.

68. Defendant Rice, with scienter, in the offer or sale of securities, by the use of means or instruments of transportation or communication in interstate commerce, or by the use of the mails, directly or indirectly employed devices, schemes or artifices to defraud in violation of Section 17(a)(1) of the Securities Act.

69. By reason of the foregoing, Defendant Rice is violating, and unless restrained and enjoined will continue to violate Section 17(a)(1) of the Securities Act.

## VIII. THIRD CLAIM FOR RELIEF

(Violations of Securities Act § 17(a)(2) and (3) [15 U.S.C. § 77q(a)(2) and (a)(3)])

70. Paragraphs 1 through 63 are hereby realleged and incorporated by reference.

71. Defendant Rice, in the offer or sale of securities, by the use of means or instruments of transportation or communication in interstate commerce, or by the use of the mails, directly or indirectly (a) obtained money or property by means of untrue statements of material facts or omissions to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or (b) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon purchasers of securities in violation of Section 17(a)(2) and (3) of the Securities Act.

72. By reason of the foregoing, Defendant Rice violated, is violating, and unless restrained and enjoined will continue to violate Section 17(a)(2) and (3) of the Securities Act.

## IX. FOURTH CLAIM FOR RELIEF

(Violations Of Securities Act §§ 5(a) and 5(c) [15 U.S.C. §§ 77e(a) and 77e(c)])

73. Paragraphs 1 through 63 are hereby realleged and incorporated by reference.

74. Between at least September 1999 and June 2000, Rice, directly and indirectly, made use of the means or instruments of transportation and communication in interstate commerce and of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise the securities of Rockport, Global and Portalzone, without a registration statement having been filed with the Commission as to such securities in violation of Sections 5(a) and 5(c) of the Securities Act.

75. No registration statements have been filed with the Commission or are otherwise in effect with respect to the Rockport, Global and Portalzone stock offered by Rice.

76. By reason of the foregoing, Rice has violated and unless restrained and enjoined will continue to violate Sections 5(a) and 5(c) of the Securities Act.

## X. FIFTH CLAIM FOR RELIEF

(Transactions During Participation in a Distribution – Regulation M, Rule 101 17 C.F.R. § 242.101])

77. Paragraphs 1 through 63 are hereby realleged and incorporated by reference.

78. Rice, acting as a distribution participant, in connection with the distribution of Rockport securities, effected by or on behalf of Rice, directly or indirectly, bid for, purchased and attempted to induce persons to bid for or purchase Rockport stock during a restricted period.

79. By reason of the foregoing, Rice has violated and unless restrained and enjoined will continue to violate Rule 101 of Regulation M, 17 C.F.R. § 242.101 [17 C.F.R. § 242.101].

## XI. PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

A.

80. Find that the Defendants committed the violations alleged.

B.

81. Enter Injunctions, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently restraining and enjoining the Defendants Rice and Portalzone.com, and their subsidiaries, officers, directors, agents, servants, employees, and attorneys-in-fact, and all persons in active concert or participation with each of them

from violating, directly or indirectly, the provisions of law and rules alleged in this complaint.

C.

82. Order Rice, Primex and Applegate and their agents, servants, employees and attorneys to account for and disgorge all ill-gotten gains received or benefits in any form derived from the illegal conduct alleged in this Complaint, together with pre-judgment and post-judgment interest as provided by law.

D.

83. Order Rice to pay civil penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] and Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] in an amount to be determined by the Court.

E.

84. Grant such other relief as this Court may deem just or appropriate.

Leslie Hendrickson Hughes June 7, 2002

Leslie Hendrickson Hughes
Attorney-In-Charge for Plaintiff
Colo. Bar No. 15043
Securities and Exchange Commission
1801 California Street, Suite 1500
Denver, CO 80202-2656
Office: (303) 844-1086
Fax: (303) 844-1010