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UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF FLORIDA  
(Tampa Division)

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SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

JASON M. CHESTER and JMAX  
ONLINE COMMUNICATIONS, INC.

Defendants.

CLERK U.S. DISTRICT COURT  
MIDDLE DISTRICT OF FLORIDA  
TAMPA, FLORIDA

CASE NO.

8:00CV1443-T-24F

COMPLAINT FOR  
INJUNCTIVE AND  
OTHER RELIEF

Plaintiff Securities and Exchange Commission (the "SEC" or "Commission") alleges as follows:

1. The SEC brings this action to enjoin Defendants Jason M. Chester ("Chester") and JMAX Online Communications, Inc. ("JMAX") from continuing to violate the federal securities laws by (a) making fraudulent misrepresentations and omissions in connection with the offer, purchase, or sale of securities and (b) promoting the securities of Winchester Mining Corporation ("Winchester") via the Internet without fully disclosing that Chester and JMAX received compensation from Winchester.

**DEFENDANTS**

2. Chester, 29 years old, is a resident of Tampa, Florida. Chester is the president, sole owner and, at all relevant times, was the only employee of JMAX.

3. JMAX, a/k/a Web Marketing Network, is a Florida corporation located in Tampa, Florida. JMAX is engaged in the business of touting stocks over the Internet in return for compensation. Among other things, JMAX maintains an Internet website called JMAX Direct,

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which features companies whose common stock usually is quoted on the National Association of Securities Dealer's Over-the-Counter Bulletin Board (the "OTC Bulletin Board").

**OTHERS**

4. Winchester is a Delaware corporation with an office in Vancouver, Canada. Winchester's common stock is quoted on the OTC Bulletin Board. Since September 1999, Winchester has been in the business of operating an Internet gambling website called HollywoodGoldCasino. Prior to its expansion into e-commerce, Winchester purportedly was a mineral exploration company.

5. Chase Manhattan Corporation ("Chase") is a bank holding company organized under the laws of Delaware and registered under the Bank Holding Company Act of 1956. It is one of the largest bank holding companies in the United States, and operates, among other things, investment banking, private banking and national consumer services businesses. Through its various broker-dealer subsidiaries, Chase conducts securities underwriting, dealing and brokerage activities. Chase's headquarters are located in New York. It maintains administrative and operational facilities in Tampa, Florida.

6. Fredrick Thompson is a resident of Tampa, Florida. At all relevant times, Thompson was an employee of Chase and worked in its Tampa facilities in the consumer debt collections department. Thompson has never been employed by Chase as an investment analyst or in any similar capacity, and has never worked in the securities industry.

7. FinanceWebSite.Com is an Internet website that publishes financial information and provides links to other investment websites on the Internet. It features profiles of companies whose stock is quoted on the OTC Bulletin Board. FinanceWebStite.Com is available for viewing by the general public.

## **JURISDICTION**

8. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act of 1933 (the "Securities Act"), 15 U.S.C. §§ 77t(b), 77t(d) and 77v(a), and Sections 21(d), 21(e) and 27 of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §§ 78u(d), 78u(e) and 78aa.

9. Chester and JMAX, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, the means of or transportation and communication in interstate commerce, and the mails, in connection with the acts, practices, and courses of business complained of herein.

## **CHESTER'S AND JMAX'S TOUTING OF WINCHESTER**

### **The Agreement to Promote Winchester on the Internet**

10. In early November 1999, Chester, on behalf of himself and JMAX, entered into an oral agreement to tout Winchester on the Internet. The agreement, which Chester entered into with persons acting on behalf of Winchester, required Chester to publish a favorable company profile of Winchester (the "Winchester profile") on two Internet websites, JMAX Direct and FinanceWebSite.Com. The oral agreement also provided that Chester and JMAX would disseminate the Winchester profile through unsolicited bulk e-mails sent via the Internet to potential investors, a practice known as "spamming." Chester also agreed to publish Winchester press releases on JMAX's Internet website, which refers to itself as "JMAX Direct – Serious Stocks for the Serious Investor."

11. Chester agreed to promote Winchester in return for 250,000 shares of Winchester common stock.

12. On November 9, 1999, as compensation for Chester's and JMAX's services, a person acting on behalf of Winchester transferred 250,000 shares of Winchester stock into a brokerage account in Chester's name.

**Chester and JMAX Recommend  
Winchester On the Internet**

13. In mid-November 1999, shortly after receiving the 250,000 Winchester shares, Chester and JMAX disseminated the Winchester profile to millions of Internet users through the use of a Canadian service provider that specializes in sending unsolicited bulk e-mails via the Internet. The bulk e-mailing process took approximately one week to complete due to the number of persons receiving the Winchester profile.

14. In late November 1999, Chester and JMAX published the Winchester profile on the JMAX Direct and FinanceWebSite.Com Internet websites. The Winchester profile, as published on both websites, was virtually identical and positively described Winchester and its stock.

15. In early December 1999, Chester and JMAX again disseminated the Winchester profile via Internet e-mails sent to the approximately 12,000 recipients of JMAX's newsletter, Stock Profile Weekly.

**Chester and JMAX Misrepresent That  
"Chase" Issued A Buy Recommendation On Winchester**

16. In or about late November 1999, Chester met Fredrick Thompson for the first time in a bar in Tampa. At their initial meeting, Chester learned that Thompson worked at Chase and asked him to prepare an investment review of Winchester for publication on the Internet. Chester subsequently paid Thompson \$500 cash and provided Thompson with a cell phone in return for Thompson's completion of his review of Winchester.

17. Thompson prepared his review of Winchester using information provided to him by Chester who, in turn, received the information from persons acting on behalf of Winchester. Chester reviewed and approved Thompson's review before he and JMAX published the review on the Internet.

18. On December 9, 1999, Chester and JMAX published Thompson's review (the "Chase Review") of Winchester on FinanceWebSite.Com's Internet website, which referred to the review as "Independent Review on [Winchester] by Chase." The purported Chase review recommended Winchester as a "Strong Buy." The review stated: "It is our position that Winchester Mining Corp. offers an opportunity for the serious investor to get in on the ground floor of one of the fastest moving and most dynamic companies expanding into e-commerce and internet gaming today." The review, which stated that Winchester was recently trading at \$0.17 a share, projected that the share price could increase to \$5.00 in 2000, \$12.00 in 2001, and \$26.00 in 2002.

19. On the morning of December 9, 1999, Chester and JMAX issued a press release (the "JMAX press release") on the Internet announcing the publication of the purported Chase review on FinanceWebSite.Com's website.

20. The JMAX press release was written by Chester. Under the headline “JMAX Announces Investment Opinion on Winchester Mining Corp.,” it stated:

COMPANY RECEIVES STRONG BUY RECOMMENDATION

Frederick Thompson of Chase Manhattan (NYSE: CMB) has independently reviewed Winchester Mining Corp. (OTCBB: WNCR), and given a STRONG BUY RECOMMENDATION with 12 month target of \$5.00.

The complete review is available at <http://www.financewebsite.com>.

21. The JMAX press release included an Internet “hyperlink” to a webpage containing financial information and current news articles regarding Chase. Chester included this hyperlink in the JMAX press release in the hope that investors searching for information about Chase on the Internet would see the press release regarding Winchester and would visit the FinanceWebSite.Com website.

22. Prior to the publication and dissemination of the Chase review, Chester knew or recklessly disregarded that Thompson worked in Chase’s consumer debt collections department, had no connection to any of Chase’s securities operations, and had never been employed in the securities industry.

23. Both the JMAX press release and the FinanceWebSite.Com website referred to Thompson’s employment with Chase without disclosing: (a) that Thompson worked in Chase’s consumer debt collections department; (b) that Thompson was not associated in any way with Chase’s securities operations; (c) that Thompson had no securities industry background; (d) that Chase had not authorized Thompson or any of its employees to prepare an investment analysis of Winchester for publication on the Internet or otherwise; and (e) that Chase had not authorized

Thompson or any of its employees to make any type of investment recommendation concerning Winchester.

24. Within hours after the JMAX press release and the purported Chase review were published on the Internet, news of the review spread through various "bulletin board" websites devoted to the stock market. For example, a posting on one bulletin board website stated: "Any time you receive a strong buy from Chase Manhattan Bank you should feel pretty good only upside from here." Another posting on the same bulletin board website stated:

A recommendation from Chase Manhattan Bank, now that is an attention getta [sic]. There must be something more to this stock that we are not aware of. This is moving the stock big time. No one from a large reputable bank would lay their reputation on the line for an absurd, foolish, risky, internet gambling penny stock unless there was something substantial coming. Maybe they see some revenues somewhere.

25. The publication on the Internet of the JMAX press release and the purported Chase review had an immediate and dramatic effect on the trading of Winchester's stock. On December 8, 1999, the day prior to publication of the purported Chase review and the JMAX press release, the closing price of Winchester stock was \$.10 a share. On December 9, 1999, the date of publication, Winchester's stock closed at \$.17 a share, an increase of 70%. It eventually reached a high of \$.26 a share on December 13, 1999.

26. The volume of trading in Winchester stock increased even more dramatically. On December 8, 1999, approximately 847,000 shares of Winchester stock were traded during the day. On December 9, 1999, Winchester's volume reached 9,051,000, a 960% increase from the prior day's trading. Winchester's volume on December 9 made its stock the fifth most actively traded of the 2,673 OTC Bulletin Board stocks that traded that day. Trading volume in Winchester stock continued at roughly 9,000,000 shares a day through December 14, 1999.

27. The purported Chase review continues to be republished on the Internet by actual or potential investors. For example, on February 12, 2000, the review, including references to Chase, was posted on an Internet message board where it remains available for viewing by investors interested in Winchester.

**Chester's and JMAX'S Failure to Disclose Their  
Receipt of Compensation For Touting Winchester**

28. On December 9, 1999, Chester and JMAX caused the JMAX press release to be published on the Internet.

29. The JMAX press release failed to disclose that Chester and JMAX received 250,000 shares of Winchester stock as compensation for touting Winchester.

**CHESTER'S AND JMAX'S  
SCALPING OF THEIR WINCHESTER STOCK**

30. In four transactions between November 19, 1999, and December 9, 1999, Chester sold all 250,000 shares of Winchester stock that he and JMAX received as compensation for touting Winchester. In fact, Chester sold his last 75,000 shares of Winchester stock on December 9, 1999, just hours after Chester and JMAX published the purported Chase review and the JMAX press release on the Internet.

31. Chester and JMAX, at the time these sales occurred, were encouraging and continue to encourage investors to buy Winchester stock through their touting of Winchester via the Internet.

32. The JMAX Direct and FinanceWebSite.Com Internet websites contained a disclaimer, in fine print, that stated that JMAX had received 250,000 shares of Winchester common stock in consideration for its services and that JMAX "may sell such shares at any time."



33. Chester and JMAX never disclosed, in the disclaimer or elsewhere, that Chester was selling and eventually sold all 250,000 shares of Winchester stock that he and JMAX received as compensation for touting Winchester.

34. Chester's sale of Winchester stock during the time period in which he and JMAX were recommending the purchase of Winchester stock on the Internet is information that investors would find material in deciding whether to buy, sell or hold Winchester stock.

### COUNT I

#### **FRAUD IN VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5**

35. The SEC realleges and repeats its allegations set forth at paragraphs 1 through 34 of this Complaint as if fully restated herein.

36. Since a date unknown but since at least November 9, 1999, through the present, Defendants Chester and JMAX, directly or indirectly, by use of the means and instrumentalities of interstate commerce, and of the mails, and of any facility of any national securities exchange, in connection with the purchase or sale of the securities, as described herein, have been, knowingly, willfully or recklessly: (a) employing devices, schemes or artifices to defraud; (b) making untrue statements of material facts and omitting 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; and (c) engaging in acts, practices and courses of business which have operated, are now operating and will operate as a fraud upon the purchasers of such securities.

37. By reason of the foregoing, Defendants Chester and JMAX, directly or indirectly, have 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 [17 C.F.R. § 240. 10b-5] thereunder.

**COUNT II**

**FRAUD IN VIOLATION OF  
SECTION 17(a)(1) OF THE SECURITIES ACT**

38. The SEC realleges and repeats its allegations set forth at paragraphs 1 through 34 of this Complaint as if fully restated herein.

39. Since a date unknown but since at least November 9, 1999, through the present, Defendants Chester and JMAX, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, as described herein, have been knowingly, willfully or recklessly employing devices, schemes or artifices to defraud.

40. By reason of the foregoing, Defendants Chester and JMAX, directly and indirectly, have violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

**COUNT III**

**FRAUD IN VIOLATION OF  
SECTIONS 17(a)(2) AND 17(a)(3) OF THE SECURITIES ACT**

41. The SEC realleges and repeats its allegations set forth at paragraphs 1 through 34 of this Complaint as if fully restated herein.

42. Since a date unknown but since at least November 9, 1999, through the present, Defendants Chester and JMAX, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, in the offer or sale of securities, as described herein, have been: (a) obtaining money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading; and

(b) engaging in transactions, practices and courses of business which are now operating and will operate as a fraud and deceit upon purchasers and prospective purchasers of such securities.

43. By reason of the foregoing, Defendants Chester and JMAX, directly and indirectly, have violated and, unless enjoined, will continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77(q)(a)(2) and 77(q)(a)(3).

#### **COUNT IV**

##### **FAILURE TO DISCLOSE IN VIOLATION OF SECTION 17(b) OF THE SECURITIES ACT**

44. The SEC realleges and repeats its allegations set forth at paragraphs 1 through 34 of this Complaint as if fully restated herein.

45. Since a date unknown but since at least December 9, 1999, through the present, Defendants Chester and JMAX, by the use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails, published, gave publicity to, and circulated articles, notices and communications which, though not purporting to offer securities for sale, described certain securities.

46. Defendants Chester and JMAX, directly and indirectly, received and were to receive consideration for such activities from the issuer of these securities and did not fully disclose the past or future receipt of such consideration and the amount thereof.

47. By reason of the foregoing, Chester and JMAX, directly or indirectly, have violated and, unless enjoined, will continue to violate, Section 17(b) of the Securities Act [15 U.S.C. § 77q(b)].

**RELIEF REQUESTED**

WHEREFORE, the Commission respectfully requests that the Court:

**I.**

**Declaratory Relief**

Declare, determine and find that Defendants Chester and JMAX have committed the violations of the federal securities laws alleged herein.

**II.**

**Permanent Injunctive Relief**

Issue a Permanent Injunction, enjoining Defendants Chester and JMAX, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating Sections 17(a)(1), 17(a)(2), 17(a)(3) and 17(b) of the Securities Act [15 U.S.C. §§ 77q(a)(1), 77q(a)(2), 77q(a)(3) and 77q(b)] and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

**III.**

**Disgorgement**

Issue an Order directing Chester and JMAX to disgorge all profits or proceeds that they have received as a result of the acts and/or courses of conduct complained of herein that violate Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act, with prejudgment interest.

IV.

**Penalties**

Issue an Order directing Chester and JMAX to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

V.

**Retention of Jurisdiction**

Further, the SEC respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable application or motion by the SEC for additional relief within the jurisdiction of this Court.

Respectfully submitted,

July 17, 2000



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