

UNITED STATES OF AMERICA  
before the  
SECURITIES AND EXCHANGE COMMISSION

Securities Act of 1933  
Release No. 7753 / October 13, 1999

Securities Exchange Act of 1934  
Release No. 42000 / October 13, 1999

Administrative Proceeding  
File No. 3-9835

In the Matter of	:	ORDER MAKING FINDINGS
Scott P. Flynn and	:	AND IMPOSING REMEDIAL
Strategic Network Development, Inc.	:	SANCTIONS AND A CEASE-
	:	-AND-DESIST ORDER
Respondents.	:	
	:	
	:	
	:	

**I.**

On February 24, 1999, the Securities and Exchange Commission ("Commission") instituted proceedings against Scott P. Flynn ("Flynn") pursuant to Section 8A of the Securities Act of 1933 ("Securities Act") and Sections 15(b)(6) and 19(h) of the Securities Exchange Act of 1934 ("Exchange Act") and against Strategic Network Development, Inc. ("Strategic") pursuant to Section 8A of the Securities Act.

**II.**

In response to the institution of these proceedings, the Respondents have each submitted an Offer of Settlement ("Offer") for the purpose of resolving these proceedings, which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission or to which the Commission is a party, Respondents, by their Offers, consent to the entry of this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), admit the jurisdiction of the Commission over the Respondents and the subject matter of these proceedings and, without admitting or denying the findings contained in this Order, except as to the entry of the judgment of conviction against Flynn as described

below, which is admitted, consent to the entry of the findings and remedial sanctions set forth below.

### III.

On the basis of this Order and Respondents' Offers, the Commission finds that:

#### Facts

- A. Strategic is a privately-held company located in Eagan, Minnesota that provides Internet and direct mail advertising and investor relation services for publicly-traded companies. Strategic was founded in June 1997 by Flynn. Flynn's wife serves as President of Strategic.
- B. Scott P. Flynn, age 36, was Vice President for Strategic and its only employee at the time the Order Instituting Proceedings was entered in this matter. From May 1990 to April 1994, Flynn was a registered representative at Mathews, Holmquist & Associates, Inc., and during a portion of that time, Flynn served as the firm's National Sales Manager. From February 1996 to June 1997, Flynn was a registered representative at Barron Chase Securities, Inc.
- C. On July 1, 1997, Flynn consented to the revocation of his license as a registered representative by the state of Minnesota for engaging in (i) the unregistered offer and sale of securities and (ii) the making of untrue statements of material facts in connection with the offer and sale of restricted securities of Excalibur Holding Corporation, while employed as a registered representative at Mathews Holmquist & Associates, Inc.
- D. On May 12, 1998, Flynn was indicted by a federal grand jury in the District of Minnesota on thirteen counts of federal wire fraud and securities fraud stemming from his activities while employed at Mathews Holmquist & Associates. The indictment alleged that Flynn solicited six customers to purchase, at a substantial discount, restricted shares of Excalibur Holding Corporation by falsely representing to the customers that the shares would become available for resale without restriction within 30 to 60 days of purchase. The indictment further alleged that Flynn failed to disclose to customers the full amount of proceeds that he would receive from the customers' purchases. See United States v. Scott Phillip Flynn, Crim. No. 98-134 (D. Minn.).
- E. On September 9, 1998, a federal jury returned a verdict finding Flynn guilty on all thirteen counts of wire fraud and securities fraud charged, including six counts alleging violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

- F. On April 26, 1999, based on his conviction for wire fraud and federal securities fraud, United States District Court Judge Michael J. Davis sentenced Flynn to a term of 27 months in the custody of the United States Bureau of Prisons. Flynn was sentenced to supervised release for a term of 3 years upon release from imprisonment and was ordered to pay restitution in the amount of \$317,522.00. On April 27, 1999, the court entered a judgment of conviction. Flynn is presently incarcerated at the Federal Prison Camp in Duluth, Minnesota.

**Stockprofiles.com**

- G. Flynn's company, Strategic, has a contract with the owner of the Stockprofiles.com Internet website to market Stockprofiles.com to issuers for publication of their company profiles on the website. Strategic forwards information from the issuers to the owner of the website to be posted on Stockprofiles.com. Strategic pays a portion of the compensation received from the solicited issuers to the owner of the website for use of the website and advertising.
- H. A primary focus of the Stockprofiles.com website is the "Featured Companies" section. When visiting Strategic's webpages on Stockprofiles.com, the reader can view the full text of any currently available featured company report.
- I. Flynn, through Strategic, reaches out to Internet investors by "broadcasting" certain "Low Price Stock Alerts" on Strategic's "Newly Featured Companies" to a list of 500,000 e-mail addresses of potential investors. Flynn's "Stock Alerts" are unsolicited e-mails, or "spams" that invite the reader to request free copies of Strategic's reports on its "Featured Companies." Responders to Flynn's Stock Alert may request that the full text of the reports be delivered to them by e-mail or regular mail. Flynn markets his Stock Alert service to issuers by describing it as "a 500,000 e-mail broadcast that will provide the newly profiled issuers with immediate national exposure to potential investors with an interest in growth stocks."
- J. Visitors to Strategic's webpages on the Stockprofiles.com website can also sign-up on-line to receive Strategic's "Stock Alert" service. The website invites investors to sign up to receive free, future reports about "Newly Featured Companies" that have "incredible growth potential." The website describes the companies featured in the Stock Alert service as "attractive small-cap growth stocks" that "are currently trading below \$5.00 per share."

### Compensation from Issuers

- K. Since January 1998, Flynn, through Strategic, has entered into agreements with ten issuers to post information about the issuers on Stockprofiles.com in exchange for cash or securities. Strategic has received the following compensation listed from issuers profiled on the website.

<u>Issuer</u>	<u>Cash</u>	<u>Stock</u>
Act Teleconferencing	\$14,800	
EuroTelecom, Inc.	\$ 4,000	
Global Connections	\$26,000	
Innovative Holdings & Technologies, Inc.	\$10,000	100,000 shares
Nhancement Technologies, Inc.	\$56,000	
Premium Restaurant Co.	\$16,000	
Recovery Network Inc.	\$39,000	
TeleServices International Group, Inc.		180,000 shares
The Children's Beverage Group		42,500 shares
Triangle Imaging Group	\$16,500	

### Failure to Disclose Nature and Amounts of Compensation

- L. Prior to Strategic's receipt of a subpoena from the Division of Enforcement in the Fall of 1998, the Stockprofiles.com website contained the following disclaimer which was located on a separate page on the website.

Stockprofiles.com and/or any of its affiliates, employees, clients, officers, directors and their families may from time to time purchase, be compensated by, or otherwise hold positions in securities of the companies featured on stockprofiles.com, as agents or principals, and any such positions may be increased or decreased in the future.

- M. Flynn and Strategic, through the use of the Internet and mailings, promoted "attractive low-priced growth stocks" of publicly-traded companies that were "currently trading below \$5.00 per share" without disclosing fully the nature of compensation received or the amounts of compensation received from each issuer.

N. Based on the conduct described above, the Commission finds that Flynn and Strategic committed or caused violations of Section 17(b) of the Securities Act in that, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, published, or circulated notices, circulars, advertisements or communications which, though not purporting to offer a security for sale, described such security for a consideration received or to be received from an issuer without fully disclosing the receipt, whether past or prospective, of such consideration and the amount thereof.

#### IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest and for the protection of investors to accept the offers and to impose the sanctions specified in Respondents' Offers.

**ACCORDINGLY, IT IS ORDERED** that pursuant to Section 8A of the Securities Act, Flynn and Strategic cease and desist from committing or causing any violation and any future violation of Section 17(b) of the Securities Act.

**IT IS FURTHER ORDERED** that pursuant to Sections 15(b)(6) and 19(h) of the Exchange Act, Flynn be, and hereby is, barred from association with any broker or dealer and from participating in any offering of penny stock; provided, however, that upon application by Flynn to the Commission, this paragraph will be vacated by the Commission in the event that a mandate issues from the United States Court of Appeals for the Eighth Circuit in the case captioned United States v. Scott Phillip Flynn, Docket No. 99-2191, reversing and/or remanding for new trial the judgment of conviction entered on April 27, 1999 in the case captioned United States v. Scott Phillip Flynn, Crim. No. 98-134, in the United States District Court for the District of Minnesota.

By the Commission.

  
Jonathan G. Katz  
Secretary