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ORIGINAL FILED

OCT 22 2009

Richard W. Wieking
Clerk, U.S. District Court
Northern District of California
San Jose

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10 UNITED STATES DISTRICT COURT
11 NORTHERN DISTRICT OF CALIFORNIA
12 SAN JOSE DIVISION

13 SECURITIES AND EXCHANGE COMMISSION

09 05036

JW

14 Plaintiff,

COMPLAINT

15 v.

DEMAND FOR JURY TRIAL

16 LAMBROS D. BALLAS,

17 Defendant.

18
19 Plaintiff Securities and Exchange Commission (the "Commission") alleges:

20 SUMMARY OF THE ACTION

21 1. Defendant Lambros D. Ballas, a licensed securities broker, engaged in a fraudulent
22 scheme to manipulate the stock price of multiple publicly traded companies by disseminating phony
23 press releases and then hyping them on Internet bulletin boards. Over the span of four days in late
24 September and early October 2009, Ballas arranged for the distribution of phony press releases
25 involving major public companies, such as Google, Microsoft, and Walt Disney, and then posed as an
26 investor on Yahoo! Inc. Internet message boards providing links to the bogus releases he had created
27 and disseminated. In the case of one company he touted, Ballas' scheme proved wildly effective,
28

1 causing the stock price to increase nearly 80% within a few hours of the issuance of the phony press
2 release.

3 2. Ballas' misrepresentations and his scheme to manipulate the prices of publicly traded
4 securities violated the antifraud provisions of the federal securities laws, Section 10(b) of the
5 Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder.

6 **JURISDICTION, VENUE, AND INTRADISTRICT ASSIGNMENT**

7 3. This Commission brings this action pursuant to Section 21(d) of the Exchange Act, 15
8 U.S.C. § 78u(d). The Court has jurisdiction over this action pursuant to Sections 21(e) and 27 of the
9 Exchange Act, 15 U.S.C. §§ 78u(e) and 78aa.

10 4. The defendant, directly or indirectly, has made use of the means and instrumentalities
11 of interstate commerce or of the mails in connection with the acts, transactions, practices, and courses
12 of business alleged in this complaint.

13 5. Venue is proper in this District pursuant to Section 27 of the Exchange Act, 15 U.S.C.
14 § 78aa. Acts and transactions constituting the violations alleged herein, including the posting of a
15 press release purportedly regarding a Mountain View, California company on a stock discussion
16 board hosted by Yahoo! Inc. (a Sunnyvale, California company), occurred in the Northern District of
17 California.

18 6. Assignment to the San Jose Division is appropriate pursuant to Civil Local Rule 3-
19 2(d) because certain of the transactions, acts, practices, and courses of business alleged herein
20 occurred in Santa Clara County, California.

21 **DEFENDANT**

22 7. Ballas, 34, resides in Merrick, New York. Since 1999, Ballas has been a registered
23 representative with the Financial Industry Regulatory Authority ("FINRA"), formerly the National
24 Association of Securities Dealers ("NASD"). Ballas currently is an independent contractor with
25 Global Arena Capital Corporation, a registered securities broker-dealer headquartered in New York,
26 New York, with offices in Garden City, New York. From January 2005 to September 2007 and
27 September 2008 to November 2008, he was associated with GunnAllen Financial, Inc., a registered
28 securities broker-dealer.

FACTUAL ALLEGATIONS

Ballas Posted Phony Discovery Laboratories, Inc. Press Releases

8. Discovery Laboratories, Inc. is a Delaware corporation based in Warrington, Pennsylvania. It is a biotechnology company that develops therapies for respiratory diseases, including a drug named Surfaxin. Its common stock is registered under Section 12(g) of the Exchange Act and quoted on NASDAQ under the symbol "DSCO." On September 28, 2009, Discovery Labs stock closed at \$1.00 per share.

9. Before September 29, 2009, Ballas registered an account with an online press release distribution company, www.pr-inside.com. Ballas used multiple names for the account, including a family name and the name of a former work colleague.

10. On September 29, 2009, Ballas submitted a phony press release titled "Surfaxin FDA approved with unlimited marketing constrictions. Discovery Labs Stock Expected to Soar!!" to www.pr-inside.com. The release purported to have been issued by Discovery Labs' press department and falsely asserted that the U.S. Food and Drug Administration had approved Surfaxin, that CNN had announced the FDA's decision, and that MSNBC commentator Jim Cramer stated he expected Discovery Labs' stock price to rise. The release was distributed at or around 7:15 p.m. Eastern Time (unless otherwise noted all times in the complaint are Eastern Time).

11. Ballas' Surfaxin press release was a complete fabrication. The statements in the press release – including the representation that the FDA had approved Surfaxin – were false. Discovery Labs did not issue any such press release.

12. On September 29, 2009, at or around 7:31 p.m., Ballas created a Yahoo! account under the login name "stevegaffinancial." As the name on the account, he provided the name of a former work colleague.

13. At or around 7:34 p.m., Ballas, using the "stevegaffinancial" alias, posted a message on the Yahoo! message board for Discovery Labs titled "FDA APPROVAL JUST CAME IN." The message included a link to "their official" press release at www.pr-inside.com. The message claimed that the author had confirmed the news with his broker at Goldman Sachs and that "this could be one

1 of the biggest winners of this year.” The message also provided information about how to access the
2 false press release on Google.

3 14. At or around 8:36 p.m., Ballas also submitted to www.pr-inside.com a press release
4 purportedly issued by the FDA announcing its approval of Surfaxin.

5 15. On September 29, 2009, brokerage clients of Ballas bought stock in Discovery Labs at
6 \$1.12 and \$1.13 per share and sold on September 30, 2009 at prices of \$1.51 and \$1.61 per share.

7 16. Discovery Labs stock opened at \$1.63 on September 30, 2009, a 46% increase over its
8 September 29, 2009 close of \$1.11.

9 17. On September 30, 2009, at or around 10:00 a.m., Discovery Labs issued a press
10 release stating that it had held a teleconference with the FDA and it believed a “path for potential
11 Surfaxin approval” had been established, but did not claim FDA approval had in fact been given.
12 The stock closed that day at \$1.36.

13 **Ballas Posted Phony IMAX/Disney Press Releases**

14 18. IMAX Corporation is a Canadian corporation based in Mississauga, Ontario, Canada.
15 IMAX is an entertainment technology company. Its stock is registered under Section 12(b) of the
16 Exchange Act and quoted on NASDAQ under the symbol “IMAX.”

17 19. At or about 5:43 a.m. on September 30, 2009, Ballas used his www.pr-inside.com
18 account to distribute a false press release claiming that The Walt Disney Company had bought
19 IMAX. The release was titled “Disney catches 3D Theater giant Imax (IMAX) in a \$1.5 Billion
20 Dollar Deal in another recent buyout” and purported to have been written by a reporter at the
21 Associated Press. It also included a quote from IMAX’s CEO. The press release was disseminated at
22 or about 5:43 a.m.

23 20. The IMAX/Disney release was a complete fabrication. The statements in the release –
24 including the representation that Disney had acquired IMAX – were false. Neither Disney nor IMAX
25 issued any such press release.

26 21. At or about 6:00 a.m. on September 30, 2009, Ballas – using the alias “desmatia” –
27 posted a message on the Yahoo! stock discussion board for IMAX. The message bore the subject
28 line “oh my god, i can’t believe it IMAX BOUGHT OUT” and stated further: “DISNEY IS

1 BUYING THEM OUT: THE PRESS RELEASES ARE ALL OVER THE INTERNET. HERE IS
2 THE LINK, MY BROKER JUST CALLED ME TO TELL ME AT THE CRACK OF DAWN I
3 OWN IT AROUND \$10.20 PER SHARE, AND LOOKING TO OPEN AROUND \$20 PER
4 SHARE.” The message provided a link to the phony press release at www.pr-inside.com and gave
5 directions on how to locate the press release through Google.

6 22. Ballas, using the “desmatia” alias, posted a similar message on the Yahoo! board for
7 Disney at 6:23 a.m.

8 23. At or around 6:30 a.m., Ballas, using the alias “desmatia,” posted an additional
9 message on the Yahoo! board for IMAX touting the false Disney acquisition. The message bore the
10 subject line: “Re: Disney should offer a buyout price.” It read in part: “well disney did it, they just
11 announced this morning they are buying imax in a 1.5b deal. I have owned disney for years and i
12 think this is a great fit for them 100%, especially with how profitable IMAX has been becoming.
13 They are offering 18\$ per share i think i read cash and stock that’s almost 100% premium but still
14 well worth it, the company needs better managemetn [sic] and will have major cashflow.” The
15 message included links to the false IMAX/Disney release described above, as well as an additional
16 phony release that Ballas submitted to www.pr-inside.com titled “Disney To Acquire IMAXI In \$1.5
17 Billion Deal (DIS, IMAX).” The message also provided directions on how to find the releases
18 through Google.

19 24. At around 6:42 a.m., Ballas, using the alias “desmatia,” posted an additional message
20 on the Yahoo! board for IMAX touting the false Disney acquisition. The message bore the subject
21 line: “disney bought out imax for \$18 per share WHO HOOOOO.” In the message, Ballas gave
22 instructions on how to find news about the acquisition on Google.

23 25. Ballas also used his www.pr-inside.com account to distribute a third false press release
24 regarding the fictitious IMAX/Disney transaction. The release was titled: “Disney buyout of IMAX
25 corporation for a 90% premium in a \$1.5B Deal.”

26 26. The price of IMAX shares increased following the phony news about the
27 IMAX/Disney deal on increased volume.
28

1 27. At or around 9:56 a.m., IMAX issued a press release stating that it had not been
2 acquired and was not in discussions with Disney about a potential acquisition.

3 **Ballas Posted Phony Local.com Press Releases**

4 28. Local.com Corporation is a Delaware corporation based in Irvine, California.
5 Local.com owns and operates an Internet search site for local businesses, products, and services. Its
6 stock is registered under Section 12(b) of the Exchange Act and quoted on NASDAQ under the
7 symbol "LOCM."

8 29. Microsoft Corporation is a Washington corporation based in Redmond, Washington.
9 Its common stock is registered under Section 12(b) of the Exchange Act and quoted on NASDAQ
10 under the symbol "MSFT."

11 30. Google Inc. is a Delaware corporation based in Mountain View, California, and its
12 common stock is registered under Section 12(b) of the Exchange Act and quoted on NASDAQ
13 Global Select Market under the symbol "GOOG."

14 31. On October 1, 2009, at or about 3:49 p.m., Ballas bought 5,000 shares of Local.com at
15 \$5.33 per share through his brokerage account at Global Arena.

16 32. At or around 4:15 p.m., Ballas submitted a press release titled "Local.com Corporation
17 (LOCM) just announced that they have been bought out by the Software Giant Microsoft (MSFT)" to
18 www.12pressrelease.com. The release, which purported to be from an established public relations
19 firm, stated that Microsoft had acquired Local.com at a substantial premium and included a quote
20 from the CEO of Local.com: "We're very pleased about this deal [and] are proud to offer our hard
21 work and dedication to a new search engine bing.com which we hope will [revolutionize] the way
22 traffic flows on the internet." The press release was disseminated at about 4:15 p.m.

23 33. The Local.com/Microsoft press release was a complete fabrication. The statements in
24 the release – including the representation that Microsoft had acquired Local.com – were false.
25 Neither Microsoft nor Local.com issued any such press release.

26 34. At or around 4:21 p.m., Ballas – using the alias "stevegaffinancial" – posted a message
27 on the Yahoo! message board for Local.com titled: "Local just bought out by microsoft, at \$12.50
28 per share including patent ownership." In the message, Ballas claimed to have bought Local.com

1 weeks ago and said he was relieved he had not sold. He included a link to the bogus press release at
2 www.12pressrelease.com.

3 35. Ballas, as "stevegaffinancial," posted additional messages on the Yahoo! message
4 board for Local.com. At or around 4:34 p.m. he urged investors to "buy now, the news just hit, buy
5 aftermarket," and at or around 5:15 p.m. he wrote: "just came out over the newswire, and can take 30
6 min - 1 hour to get out on the newsfeeds, the meeting says they got out at 402pm est."

7 36. Ballas – using both the "stevegaffinancial" and "desmatia" aliases – posted similar
8 messages on the Yahoo! message board for Microsoft.

9 37. At or around 5:03 p.m., Ballas also paid another press release distribution company,
10 www.wiredprnews.com to distribute the false Local.com/Microsoft press release. A copy of the false
11 release is attached as Exhibit A.

12 38. At or around 5:43 p.m., Ballas – using the alias "desmatia" – posted a message on the
13 Yahoo! message board for Local.com stating "I came across this one." The message included a link
14 to the fake press release at www.wiredprnews.com. Ballas stated: "i know the other sitte [sic]
15 12press has usually problems with their time servers, personally i wouldn't pay attention to that,
16 however wiredprnews.com is a HUGE company and it was issued by a big ny pr firm. I don't own a
17 whole bunch of it, like 2500 shares, but here's to the deal, i've been reading about it on forums all
18 over the net."

19 39. Ballas made additional posts as "desmatia" at or around 7:02, 7:03, and 7:04 p.m.,
20 each time including a link to the fake release on www.wiredprnews.com. The 7:02 p.m. post read:
21 "not only the best, but microsoft thinks so to, the official report came out over the newswire.....
22 www.wiredprnews.com is a distribution [sic] and it was given to them by a big NY PR firm. I can't
23 wait till tomorrow morning, i think \$11- 11.50 , i mean they're getting bought out at 12.50 so.....woo
24 hooo....daddy needs a new pair of shoes." The 7:03 p.m. post emphasized: "It's official folks, right
25 direct of [sic] the newswire, LOCAL BOUGHT OUT WOO HOOOO. READ IT FOR
26 YOURSELF."

27 40. Investors bought Local.com stock in reliance on the false and misleading information.
28 In aftermarket trading following the distribution of the fake press releases and Yahoo! postings,

1 Local.com stock rose as high as \$9.65, an increase of more than 79% from its October 1 close of
2 \$5.39. At the height of the artificial inflation, Ballas had a paper profit of \$21,600 on his 5,000 share
3 purchase.

4 41. At or around 9:30 p.m., Local.com issued a statement announcing that a false press
5 release had been issued, that Local.com was not being acquired by Microsoft, and that it was not in
6 discussions with Microsoft about a potential acquisition.

7 42. On October 2, 2009, Ballas submitted another false press release to
8 www.wireprnews.com. The release purported to be a statement by Local.com that it was being
9 acquired by Google (rather than by Microsoft). It included a quote from Local.com's CEO.

10 43. The Local.com/Google press release was a complete fabrication. The statements in
11 the release – including the representation that Google had acquired Local.com – were false. Neither
12 Google nor Local.com issued any such press release.

13 44. A representative of www.wireprnews.com requested additional information from
14 Ballas and expressed concern it was a hoax. Ballas replied that he could take his business elsewhere,
15 adding "i do like 2 -5 of these a day fyi." The distribution service declined to disseminate the press
16 release.

17 45. At or around 12:52 p.m., Ballas paid \$49.95 to distribute the false Local.com/Google
18 press release through www.einpresswire.com. A copy of the release is attached as Exhibit B.

19 46. At or around 4:15 p.m., Ballas, using the alias "desmatia," posted a message on the
20 Yahoo! message board for Local.com titled "it wasn't Microsoft it was GOOGLE who bought locm
21 at 11.80 per share today around noon." The message included a link to the bogus press release
22 distributed by www.einpresswire.com.

23 47. Ballas, using the alias "desmatia," posted a similar message on the Yahoo! message
24 board for Google.

25 **Ballas Acted with Scienter**

26 48. Ballas knew, or was reckless in not knowing, the press releases and Yahoo! messages
27 he distributed and posted regarding Discovery Labs, IMAX, Disney, Local.com, Microsoft, and
28 Google were false and misleading. Ballas knew or was reckless in not knowing his actions would

1 fraudulently manipulate the prices of the stock of the publicly traded companies targeted by the fake
2 press releases.

3 **FIRST CLAIM FOR RELIEF**

4 *Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder by All Defendants*

5 49. The Commission realleges and incorporates by reference Paragraphs 1 through 48.

6 50. By engaging in the conduct described above, Ballas, with scienter, directly or
7 indirectly, in connection with the purchase or sale of securities, by the use of means or
8 instrumentalities of interstate commerce or of the mails, or of facilities of a national securities
9 exchange:

- 10 (a) employed devices, schemes, or artifices to defraud;
- 11 (b) made untrue statements of a material fact or omitted to state a material fact
12 necessary in order to make the statements made, in the light of the
13 circumstances under which they were made, not misleading; and
- 14 (c) engaged in acts, practices, or courses of business which operated or would
15 operate as a fraud or deceit upon other persons.

16 51. By reason of the foregoing, Ballas has violated, and unless restrained and enjoined
17 will continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17
18 C.F.R. § 240.10b-5.

19 **PRAYER FOR RELIEF**

20 WHEREFORE, the Commission respectfully requests that this Court:

21 I.

22 Issue an order temporarily, preliminarily, and permanently restraining and enjoining Ballas
23 and his agents, servants, employees, attorneys, and assigns, and those persons in active concert or
24 participation with him, from violating and/or aiding and abetting violations of Section 10(b) of the
25 Exchange Act, 15 U.S.C. § 78j(b) and Rule 10b-5 thereunder.

26 II.

27 Issue an order directing Ballas to disgorge all wrongfully obtained benefits in an amount
28 according to proof, plus prejudgment interest thereon.

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III.

Issue an order directing Ballas to pay civil monetary penalties under Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

IV.

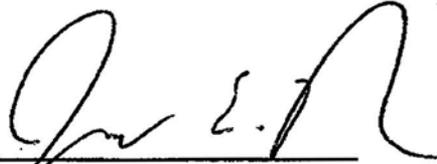
Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

V.

Grant such other and further relief as this Court may determine to be just and necessary.

Dated: October 22, 2009

Respectfully submitted,



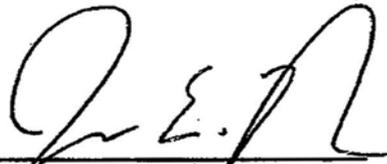
Jeremy E. Pendrey
Attorney for Plaintiff
SECURITIES AND EXCHANGE COMMISSION

DEMAND FOR JURY TRIAL

Plaintiff respectfully requests a jury trial.

Dated: October 22, 2009

Respectfully submitted,



Jeremy E. Pendrey
Attorney for Plaintiff
SECURITIES AND EXCHANGE COMMISSION

EXHIBIT A

You are in: [Live Press Feed](#)

Local.com (LOCM) announced that they have been bought out by Microsoft (for \$12.50 per share)

WiredPRNews.com
PRESS RELEASE DISTRIBUTION

New Source: [WiredPR News.com](#)
By [Charlie Jane Anders](#) - SS PR AGENCY [www.sspr.com](#)
4:02pm on Thursday Sept 31st 2008, 472,004 views.

WiredPRNews.com – It's only been a few hours since Microsoft announced it was buying the recently ranked #10 search engine Local.com, and already the first example of corporate synergy has appeared.

The Microsoft Deal buyout of Local.com Corporation (LOCM) at over a 100% premium is just shy of a \$200 Million dollar deal, a real success for shareholders of LOCM which has increased from the \$3 range to over \$5 by close of trading today.

Aftermarket trading is showing heavy activity and stock is expected to open up around \$12.00 per share.

Microsoft Spokesperson Jane Galloway Senior VP of acquisitions, stated in the QnA that "This allows Microsoft to fully own the very lucrative and ingenious software patents that LOCAL owns and uses currently. Their growth has been tremendous. Our goal is to apply and integrate this technology into our new search portal BING.com which will allow us for an aggressive takeover of market share in the search engine field."

Local.com (NASDAQ: LOCM) is a leading local search engine and the largest local search network in the United States. The company provides over 18 million consumers each month with the most relevant search results for local businesses, products and services on Local.com and over 700 regional media sites.

Heath Clarke Chairman, Chief Executive Officer stated himself "We're very pleased about this deal and are proud to offer our hard work and dedication to a new search engine bing.com which we hope will revolutionize the way traffic flows on the internet"

Everyone is happy about this deal. J. Gunn, Founder of Gunnlien Financial out of Tampa Florida was quoted saying (they helped to take the company public) "This is the outcome we always expected, however not as soon as this. Everyone is pleasantly pleased, I know my clients are happy"

For those of you who own it, enjoy the success, for those of you who do not, mergers right now seem to be hot, and keeps your scanners peeled for opportunities.

The ticker symbol for Local is (LOCM), and after market trades have it trading higher very quickly. News Source: <http://www.WiredPRNews.com> - Press Release Distribution

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Receive premium distribution to our press release channels.

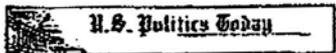












SEE FULL LIST >

EXHIBIT B

Statement from Local.com(R) Corporation on Buyout Rumors.

â€¢ Press Release

â€¢ Source: Local.com Corporation

â€¢ On Friday October 2 2009, 10:02 am EDT

â€¢ Companies: Local.Com Corp.

IRVINE, Calif.--(BUSINESS WIRE)--Local.com Corporation (NASDAQ: LOCM - News) yesterday commented that a false press release was issued that stated Local.com was being acquired by Microsoft. The company has not been acquired, nor is it in discussions with Microsoft about a potential acquisition.

Heath Clarke Chairman, Chief Executive Officer states "At this point we feel important to explain to our shareholders how this happened. We have been in talks for 4 months now to sell our full library of software patents and current business model with a few different companies. We used code words to keep it quiet from the staff not in the meetings. Mister Softee was the code name for GOOGLE (GOOG). We are currently conducting an in-house investigation to determine the nature of the leak and press formal charges.

And now, since it's official as of 10:02AM this morning Friday the 2nd of October, 2009 we are pleased to announce to our shareholders that Local.com has been purchased by Google at the attractive price of \$11.75 per share in cash, no stock. We are required to give up all rights to the software patents we have, and in eventuality local would become a side division of Google."

"We're very pleased about this deal and are proud to offer our hard work and dedication to a new search engine bing.com which we hope will revolutionize the way traffic flows on the net to a more fluid and organic nature.

About Local.com(R)

Local.com (NASDAQ: LOCM - News) owns and operates a leading local search site and the largest private label, local search network in the United States. The company uses patented technologies to provide over 20 million consumers each month with the most relevant search results for local businesses, products and services on Local.com and over 700 regional media sites. Businesses can target ready-to-purchase consumers using a variety of advertising products.

To advertise, or for more information visit: www.local.com. A full fact sheet will be issued and posted on our web url by close of market hours by the end of the day. Should any investor have any questions please contact our Investor Relations Department. They have a very heavy workload today.