

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO.

SECURITIES AND EXCHANGE COMMISSION,)
)
Plaintiff,)
)
v.)
)
BARRINGTON SCHNEER,)
)
Defendant.)
)
_____)

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff Securities and Exchange Commission alleges and states that:

INTRODUCTION

1. The Commission brings this action to restrain and enjoin Defendant Barrington Schneer from future violations of the federal securities laws in connection with the unregistered offering of GetAnswers, Inc. common stock. From at least January 2001 through January 2003, Schneer and others raised approximately \$7.5 million from hundreds of investors nationwide, primarily physicians, through an in-house boiler room operation. GetAnswers, through its offering and marketing materials and/or sales representatives, made numerous false representations and omissions to investors relating to, among other things, the experience of GetAnswers' president and chief executive officers in starting successful Internet companies, GetAnswers' affiliation with a college, the use of investor proceeds, the safety and profitability of an investment in the company, and its compliance with all securities laws.

DEFENDANT

2. Schneer is 36 years old and resided in Miami Beach, Florida at all relevant times. Schneer was GetAnswers' vice-president of corporate development.

RELATED PARTIES

3. GetAnswers at all relevant times was a Delaware corporation, incorporated in May 2000 and headquartered in Aventura, Florida. On January 13, 2003, a Receiver was appointed to administer GetAnswers.

4. James Koenig is 36 years old and resides in Miami Beach, Florida. Koenig was the chief executive officer and president of GetAnswers.

5. Robert Cournoyer is 37 years old and resides in Miami, Florida. Cournoyer was GetAnswers' chief operating officer.

6. David Nepo is 36 years old and resides in Miami Beach, Florida. Nepo was GetAnswers' founder and chairman of its board of directors.

7. Charles Ehrlich is 50 years and resides in Sunny Isles, Florida. Ehrlich was GetAnswers' top sales agent.

8. OceanMark Consulting Group, Inc. was a Florida corporation, incorporated in October 2000, and was under Cournoyer's control. Oceanmark's principal place of business was the same as GetAnswers'.

JURISDICTION AND VENUE

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

10. This Court has personal jurisdiction over Schneer and venue is proper in the Southern District of Florida because many of Schneer's acts and transactions constituting violations of the Securities Act and the Exchange Act occurred in the Southern District of Florida. In addition, Schneer resided (and is believed to continue to reside) in the Southern District of Florida.

11. Schneer, directly and indirectly, made use of the means and instrumentalities of interstate commerce, the means and instruments of transportation and communication in interstate commerce, and the mails, in connection with the acts, practices, and courses of business set forth in this Complaint.

THE FRAUDULENT SCHEME

I. GetAnswers' Illegal Offering

12. GetAnswers operated an Internet knowledge management service company that claimed it was developing an interactive Internet website for use by college and high school students.

13. GetAnswers raised money from the general public, primarily physicians, by offering securities in the form of common stock. GetAnswers offered securities from approximately January 2001 to January 2003, and raised at least \$7.5 million from more than 246 investors located throughout the country. GetAnswers' stock was sold in \$10,000 blocks at between \$2 and \$3 per share, depending on the tranche of shares offered.

14. GetAnswers solicited investors through an in-house boiler room staffed with sales representatives who improperly failed to hold securities licenses. The sales representatives were hired by GetAnswers and paid commissions through GetAnswers' checking accounts.

15. GetAnswers solicited doctors by sending facsimiles inviting them to join GetAnswers' "medical advisory board," and offering compensation for answering medical

questions submitted to GetAnswers' website. The "medical advisory board" was primarily a ruse to create a list of doctors that sales representatives could later contact to pitch GetAnswers' stock.

16. Doctors who joined GetAnswers' "medical advisory board" received telephone calls from sales representatives offering to sell them GetAnswers' stock purportedly reserved exclusively for board members. Doctors who did not join GetAnswers' medical advisory board were also called by sales representatives offering to sell them GetAnswers' stock.

17. As part of the sales pitch, GetAnswers' sales representatives created a sense of urgency to induce the doctors to invest quickly by telling them there was a limited amount of stock, the available stock was "dwindling," or that prices of the stock were about to go up.

18. After the introductory sales pitch, GetAnswers sent the doctors offering materials by overnight delivery. These materials included, among other things, a Private Placement Memorandum ("PPM") and various marketing materials. GetAnswers' sales representatives called the doctors repeatedly to try to convince them to purchase shares of GetAnswers stock.

19. No registration statement was filed or in effect with the Commission in connection with the securities GetAnswers offered and sold. Moreover, GetAnswers did not require its sales representatives to hold any securities licenses.

II. The Material Misrepresentations and Omissions

20. GetAnswers made materially false representations and omissions in connection with the offer and sale of its securities in offering materials, on its website and through sales representatives.

A. Misrepresentations and Omissions in the PPMs

21. GetAnswers had three versions of its PPM: one dated March 31, 2001 (“PPM 1”); one dated June 30, 2001 (“PPM 2”); and one dated July 31, 2002 (“PPM 3) (collectively referred to as “PPMs”).

1. Management's Background

22. GetAnswers’ PPMs represented to investors that it was “led by a management team experienced in successful start-ups...” and extolled Koenig’s purported past experience as an Internet start-up entrepreneur. The PPMs stated:

While still attending business school at the University of Florida, Mr. James Koenig founded an Internet company (EZ Notes) that provides educational services to college students. Within one year of inception, Mr. Koenig had successfully developed the company to a national scalable model and secured \$25 million of venture capital financing which led to a successful implementation of a national strategy (Allstudents.com) and then subsequent sale of the company to a subsidiary of a Fortune 500.

23. This information was false. Koenig was not the founder of EZ Notes and he never developed the company into a national scalable model nor secured \$25 million in venture capital financing. EZ Notes was also never sold to a subsidiary of a Fortune 500 company.

2. Alliance/Co-Venture with a College

24. GetAnswers’ PPM 2 and PPM 3 stated that the company negotiated an “academic alliance” with a South Florida college to provide 600 online courses on its website in the fall of 2001.

25. GetAnswers’ website further stated that it had finalized a “co-venture” with the college. More specifically, Cournoyer stated in an audio clip that was available on GetAnswers’

website that GetAnswers was offering “over fifty accredited online classes through a joint venture with [the] college.”

26. In contrast to these representations, GetAnswers never negotiated an “academic alliance” nor finalized a “co-venture” with any college. GetAnswers also never offered any accredited online classes on its website through a joint venture with any college.

3. Use of Investor Proceeds

27. GetAnswers’ PPMs falsely represented to investors that their investments would be used to primarily fund the development of its website. GetAnswers’ PPMs stated:

The proceeds from capitalization efforts by the Company, of which this Offering is a part, will be primarily utilized to finance (i) renumeration nepo.com for incubation up to the date of this Offering; (ii) completing license agreements with technology companies that will provide key software for the web site; (iii) preparing office space; (iv) purchasing hardware and software required for preparing the web site; (v) the planning and implementation of the web site programming; (vi) launching and enhancing the web site; and (vii) reserves for acquiring supplementary technologies and companies that enhance the value of GetAnswers.

28. The PPMs also represented that “...in the interest of preserving equity capital and shareholder wealth, the company will attempt whenever possible to limit the expenses so set forth in the ‘Use of Proceeds’ statement.”

29. These representations were grossly false. A significant portion of investor funds were used to pay undisclosed commissions ranging between 7% to 12%, and to pay for luxury automobiles and other lavish perks such as cash advances and expensive dinners, for GetAnswers’ management and employees.

30. By way of example, the following chart shows, in part, how GetAnswers used some of the approximately \$5.3 million raised through June 30, 2002:

| USE OF PROCEEDS | APPROX. AMOUNT EXPENDED | % OF AMOUNT RAISED |
|---|--------------------------------|---------------------------|
| Payments to Cournoyer and six of GetAnswers' sales representatives | \$1,590,000 | approx. 30% |
| Luxury cars and related expenses | \$118,000 | approx. 2% |
| Payments to GetAnswers' corporate credit cards and other financial institutions | \$367,000 | approx. 7% |

31. GetAnswers used at least 45% of investor funds on purported “salaries” during this time period. In sum, more than 54% of the investor funds raised through June 30, 2002 were used to enrich GetAnswers' management and employees.

4. Diversion of Investor Proceeds for Improper Uses

32. Investor proceeds raised by GetAnswers were also improperly diverted to certain of GetAnswers' principals and entities under their control or nominees.

33. GetAnswers, at the direction of Nepo and with the knowledge of Schneer, paid \$150,000 to an entity controlled by Nepo called Nepo, Inc. The \$150,000 was not remuneration for services, a loan repayment, or reimbursement for expenses or start-up costs.

34. Ronald Welch, a resident of Israel listed as an officer of GetAnswers in the company's offering and marketing material, received \$287,460 in investor funds. A dissolved corporation Welch owned, Ladies of Style, Inc., was paid at least \$149,431 by GetAnswers. None of these payments were remuneration, loan repayments or reimbursements for expenses or start-up costs.

35. GetAnswers' principals also used investor proceeds for risky business ventures outside the scope of GetAnswers' business plan. Nepo and Schneer utilized \$193,000 of investor money to fund an offshore internet bank project, and used \$50,000 of investor funds to try to

establish a multimedia center for music or film production. Both of these projects were unsuccessful.

36. Schneer also purchased between \$30,000 and \$40,000 of movie memorabilia on e-bay.com with investor funds.

5. Operating Expenses

37. GetAnswers' PPMs grossly understated its operating expenditures. All three of GetAnswers' PPMs included a general ledger attachment for the period covering January 1, 2001 through March 31, 2001 ("Q1 2001"). GetAnswers' PPM 3 included a general ledger attachment for the period covering October 1, 2001 through December 31, 2001 ("Q4 2001").

38. As the following chart illustrates, GetAnswers understated its expenditures for Q1 2001 by approximately 45%, and for Q4 2001 by approximately 25%:

| GENERAL LEDGER | EXPENSES STATED IN PPMs | EXPENSES IN BANK RECORDS | PPMs UNDERSTATE EXPENDITURES BY |
|-----------------------|------------------------------------|-------------------------------------|--|
| Q1 2001 | \$185,883 | \$270,000 | approx. 45% |
| Q4 2001 | \$967,742 | \$1,200,000 | approx. 25% |

6. Conflicts of Interest

39. GetAnswers' PPMs failed to disclose certain conflicts of interest. Under a section in the PPMs titled "Conflicts of Interest," GetAnswers made a series of disclosures regarding its management's ownership interests in other corporations doing business with GetAnswers. The PPMs, however, did not disclose that GetAnswers paid \$45,000 to OceanMark, a corporation owned by Cournoyer, \$245,000 to a corporation owned by its chief technology officer, and \$4,000 to a corporation jointly owned by its chairman of the board and its vice president of international relations.

B. Misrepresentations Made by Sales Representatives

1. Availability of Stock

40. GetAnswers' sales representatives used hard-sell techniques designed to create a false sense of urgency in the investor. For example, sales representatives told investors they could purchase GetAnswers' shares for \$2 each (later changed to \$3) before the purchase price was raised to \$5 a share in the very near future. Sales representatives stressed to investors that they needed to make their purchase quickly or miss out on the opportunity.

41. At least one investor received a facsimile from GetAnswers in August 2001 stating that all the \$2 stock was sold, the \$3 stock was "already dwindling," and that only \$5 shares were available to future accredited investors.

42. Notwithstanding these representations, GetAnswers never raised the share price of its stock to \$5 a share. GetAnswers sold its shares at \$2 until at least March 2002, at which time the price was increased to \$3 a share. Therefore, any representation regarding the limited availability of \$2 or \$3 shares was false.

2. Safety and Return on Investment

43. GetAnswers' sales representatives made false and misleading sales pitches concerning the safety of, and return on an investment in, GetAnswers' securities. The sales representatives told investors that "you can't lose" and represented they could expect a 100% to 400% return on their investment within the next few months to a year.

44. Investors were also told by GetAnswers' sales representatives that a merger was going to take place and/or that the stock would split in the near future, which would generate a sizable, immediate return. This sales pitch was reinforced by GetAnswers PPMs, which stated

“...a sizable return could be realized through corporate profits, asset growth, capitalization, acquisitions, merger or IPO.”

45. These promises of immediate or large returns on investments were patently false because GetAnswers was a company with no operating history, generating little or no revenue, and involved in a new and speculative business.

3. Falsehoods About Going Public

46. GetAnswers’ sales representatives also misled investors by telling them that GetAnswers was seeking Commission approval to go public in the near future. GetAnswers had not, however, taken even the most basic steps toward becoming a publicly traded company.

47. GetAnswers never filed any registration statements with the Commission to publicly sell shares, never obtained audited financial statements, or hired an underwriter. GetAnswers’ projection of a public offering was therefore utterly baseless and false.

C. False Information on GetAnswers’ Website Regarding its Legal Representation

48. GetAnswers’ website contained material omissions. Specifically, GetAnswers’ website asserted that its outside counsel, Sheldon Zipkin, ensured compliance with “SEC securities laws.” GetAnswers’ website further stated that Zipkin had, among other things, personally signed on as:

[T]he supervisory attorney “of counsel” for the company requiring all materials, procedures, and executive decisions to be reviewed by and/or personally made to his attention for review. . . His position also empowers his firm to unilaterally review upon demand the operational and managerial decisions made at the company; thereby, providing an external, independent entity to oversee the governance, management and legal relations for the company at large.

49. Zipkin reiterated his background and confirmed his role at GetAnswers through an audio clip on GetAnswers' website. For example, Zipkin stated "I evaluate the representations that the company makes to the government, to its shareholders, to the public."

50. GetAnswers falsely implied that its investors were protected by competent counsel, but failed to disclose Zipkin's disciplinary history with The Florida Bar. This history included an admonishment in 1996 for failure to diligently represent a client, and a public reprimand (with one year of probation) in 1999 for, among other things, his failure to provide competent representation by accepting money to file an appeal and then not filing the appeal in a timely manner. Zipkin was also ordered in 1999 to have his law practice analyzed by the Law Office Management Advisory Service of The Florida Bar with respect to file management and calendaring of dates.

51. These incidents, which are publicly available information, were not disclosed on GetAnswers' website, in Zipkin's audio clip, or in PPM 2 or PPM 3.

D. Defendant Schneer

52. Schneer, who was GetAnswers' vice-president of corporate development, participated in the management of GetAnswers and was directly involved in its day-to-day operations.

53. By reason of his position as vice-president of corporate development, Schneer had significant decision-making authority, and controlled, or had the power to control, the content of GetAnswers' PPMs, marketing materials, website and statements by sales representatives to investors.

54. Schneer, who has a juris doctor degree but is not a member of any bar, also performed the duties of in-house lawyer. Schneer performed legal research for GetAnswers on

such issues as whether sales representatives needed to be licensed, rules for soliciting investors, and registration exemptions.

55. Schneer drafted, reviewed or approved GetAnswers' PPMs and marketing materials that were replete with the material misrepresentations and omissions set forth above.

56. Schneer was a signatory on GetAnswers' bank accounts and had full knowledge of the uses of investors' proceeds.

57. Schneer participated in the diversion of investor money to fund business projects such as an offshore internet bank and the multimedia center. Schneer purchased movie memorabilia with investor funds from e-bay.com. Schneer also used a luxury vehicle, registered in Welch's name, which was paid for with GetAnswers' investor funds. Schneer knew these uses of investor funds were not listed in GetAnswers' PPMs, business plans, on the company's website or in sales representatives statements to investors.

58. Based on the allegations set forth in this Complaint, Schneer knew, or was severely reckless in not knowing, that material misrepresentations and omissions were made to investors in GetAnswers' offering and marketing materials, and by sales representatives.

COUNT I

SALE OF UNREGISTERED SECURITIES IN VIOLATION OF SECTIONS 5(a) AND 5(c) OF THE SECURITIES ACT

59. The Commission repeats and realleges paragraphs 1 through 58 of this Complaint.

60. No registration statement was filed or in effect with the Commission pursuant to the Securities Act, and no exemption from registration exists with respect to the securities and transactions described in this Complaint.

61. Since a date unknown, but from at least January 2001 to January 2003, Defendant Schneer directly and indirectly: (a) made use of the means or instruments of transportation or

communication in interstate commerce or of the mails to sell securities as described herein, through the use or medium of a prospectus or otherwise; (b) carried securities or causing such securities, as described in this Complaint, to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or delivery after sale; and/or (c) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise, as described in this Complaint, without a registration statement having been filed or being in effect with the Commission as to such securities.

62. By reason of the foregoing, Defendant Schneer, directly and indirectly, violated, and unless enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

COUNT II

VIOLATION OF SECTION 17(a)(1) OF THE SECURITIES ACT

63. The Commission repeats and realleges paragraphs 1 through 58 of this Complaint.

64. Since a date unknown, but since at least January 2001 through January 2003, Defendant Schneer, 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 in this Complaint, knowingly, willfully or recklessly employed devices, schemes or artifices to defraud.

65. By reason of the foregoing, Defendant Schneer, directly and indirectly, 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

**VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT
AND RULE 10b-5 PROMULGATED THEREUNDER**

66. The Commission repeats and realleges paragraphs 1 through 58 of this Complaint.

67. Since a date unknown, but since at least January 2001 through January 2003, Defendant Schneer, directly and indirectly, by use of the means and instrumentality of interstate commerce, and of the mails in connection with the purchase or sale of the securities, as described in this Complaint, knowingly, willfully or recklessly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts and 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; and/or (c) engaged in acts, practices and courses of business which have operated, are now operating or will operate as a fraud upon the purchasers of such securities.

68. By reason of the foregoing, Defendant Schneer, directly or indirectly, 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 IV

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

69. The Commission repeats and realleges paragraphs 1 through 58 of this Complaint.

70. Since a date unknown, but since at least January 2001 through January 2003, Defendant Schneer 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 in this Complaint: (a) obtained money or property by means of untrue

statements of material facts and omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or (b) engaged in transactions, practices and courses of business which are operated as a fraud or deceit upon purchasers and prospective purchasers of such securities.

71. By reason of the foregoing, Defendant Schneer, directly and indirectly, 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).

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

I. Declaratory Relief

Declare, determine and find that Defendant Schneer committed the violations of the federal securities laws alleged in this Complaint.

II. Permanent Injunctive Relief

Issue a Permanent Injunction, restraining and enjoining Defendant Schneer, his officers, representatives, servants, employees, attorneys, and all persons in active concert or participation with him, and each of them, from violating: Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c); Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a); 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; and 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).

III. Disgorgement

Issue an Order requiring Defendant Schneer to disgorge all ill-gotten profits or proceeds that he received as a result of the acts and/or courses of conduct complained of herein, with prejudgment interest.

IV. Penalties

Issue an Order directing Defendant Schneer 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. § 78(d)(3).

V. Penny Stock Bar

Issue an Order, pursuant to Section 603 of the Sarbanes-Oxley Act of 2002 [Public Law No. 107 - 204, 116 Stat. 745 (July 30, 2002)], Section 21(d)(6) of the Exchange Act, 15 U.S.C. § 78u(d)(6), and Section 20(g) of the Securities Act, 15 U.S.C. § 77t(g), and pursuant to the Court's equitable powers, permanently barring Schneer from participating in an offering of penny stock.

VI. Accounting

Issue an Order requiring an accounting by Schneer to the Commission and the Court with a document sworn to before a notary public setting forth all assets (whether real or personal) and accounts (including, but not limited to, bank accounts, savings accounts, securities or brokerage accounts, and deposits of any kind) in which he (whether solely or jointly), directly or indirectly (including through a corporation, trust or partnership), either has an interest or over which he has the power or right to exercise control.

VII. Further Relief

Grant such other and further relief as may be necessary and appropriate.

Respectfully submitted,

October ____, 2004

Robert K. Levenson
Regional Trial Counsel
Florida Bar No. 0089771
Telephone: (305) 982-6341

Trisha D. Sindler
Special Counsel
Florida Bar No. 0773492
Telephone: (305) 982-6352

Attorneys for Plaintiff
SECURITIES AND EXCHANGE COMMISSION
801 Brickell Avenue, Suite 1800
Miami, Florida 33131
Telephone: (305) 982-6300
Facsimile: (305) 536-4154