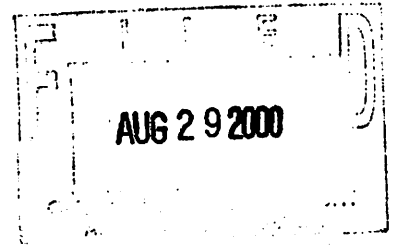


IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION



SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

TUTORNET.COM GROUP, INC.,

and

EUBURN R. A. FORDE,

Defendants,

CIVIL ACTION NO.

00-1472-A

COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission") alleges for its Complaint the following:

PRELIMINARY STATEMENT

1. This case involves ongoing, material misrepresentations and omissions made in public filings with the Commission and in statements on the Internet by Tutornet.com Group, Inc. ("Tutornet"), a publicly traded company that provides interactive tutoring over the Internet for students from kindergarten through college, and Euburn R. A. Forde ("Forde"), Tutornet's President, Chief Executive Officer and Chairman of the Board of Directors. The false and misleading statements published in a Form 8-K filed with the Commission on May 18, 2000, and in a January 2000 letter to shareholders ("Shareholder Letter") on Tutornet's website, and omissions of material information, were blatant efforts to lull current and prospective investors into a false sense of security in the face of Tutornet's precarious financial condition. This case

also involves a significant deficiency in Tutornet's Form 10-Q filed with the Commission on August 21, 2000, namely, the failure to include a statement of cash flows.

2. Certain misleading statements and material omissions in the Form 8-K, signed by Forde, concern the status of Tutornet's relationship with America Online, Inc. ("AOL"). Tutornet, through Forde, stated that it was in the process of "co-branding" with AOL, which would result in a revenue-sharing arrangement with AOL that would provide the financially troubled Tutornet with access to more than 18 million AOL subscribers, and the potential to generate annual revenues of \$324 million. This statement was false at the time it was made in the Form 8-K because, in April 2000, AOL terminated its contractual relationship with Tutornet based on Tutornet's failure to make certain payments pursuant to the terms of the contract. The Form 8-K also failed to disclose the termination of this contractual relationship. Tutornet, through Forde, also described the contract with AOL in the Shareholder Letter published on Tutornet's website. While the contract existed at the time the Shareholder Letter was published, the letter remained on Tutornet's website until mid to late May 2000, which was approximately one month after AOL canceled the contract. Neither Tutornet nor Forde ever issued any corrective statement concerning the termination of the contract.

3. Other materially false and misleading statements in the Form 8-K, signed by Forde and filed with the Commission on May 18, 2000, concern a prospective investment of capital from Princeton Investments, Ltd. ("Princeton"), purportedly a Bahamian company that provides "customized International investment services." Tutornet, through Forde, stated that it was in the process of obtaining a \$30 million investment from Princeton, which Tutornet claimed "may" remove an imminent threat to its liquidity and provide it with the ability to continue as a

going concern by allowing it to operate for ten to twelve additional months. Tutornet, through Forde, had no reasonable basis for making this statement and failed to disclose material facts that significantly undermined the legitimacy of the statement. There was virtually no due diligence undertaken by Princeton, and Tutornet, through Forde, knew virtually nothing about Princeton's financial wherewithal to support a \$30 million investment. To date, there is no evidence that the investment ever took place and the information concerning the investment has not been corrected.

4. In a Shareholder Letter published on Tutornet's website, Tutornet, through Forde, reported that it would provide tutoring services in ten public housing facilities pursuant to a pilot program with the United States Department of Housing and Urban Development ("HUD"), and that HUD planned to "roll out" Tutornet's services to more than 1,000 housing sites across the country upon the successful completion of the pilot program. While the statement concerning the existence of the pilot program was true, according to HUD officials, the purported plan to "roll out" Tutornet's services to more than 1,000 sites was false. Pursuant to HUD's demands, Tutornet removed the false statement from its website in mid to late May 2000, but this was after Tutornet's stock began trading on the Over-the-Counter Bulletin Board ("OTC BB"). Neither Tutornet nor Forde ever corrected the materially false statements. Also, Tutornet and Forde failed to disclose that Tutornet provided its services to HUD free of charge.

5. The Form 10-Q filed with the Commission by Tutornet and signed by Forde, does not include a statement of cash flows as required by Rule 10-01 of Regulation S-X, 17 C.F.R. § 2210.10-01(a)(4). A statement of cash flows is an integral part of a 10-Q filing. Its absence is particularly troubling in light of Tutornet's statement in the 10-Q "express[ing] doubt about the

Company's ability to continue as a going concern beyond the next 60 days" due to its "increasing accumulated deficit" and "insufficient working capital." Without the statement of cash flows, an investor cannot discern how much money actually is coming into Tutornet or exactly why its accumulated deficit is increasing.

6. By knowingly or recklessly engaging in this conduct, Tutornet and Forde directly or indirectly have engaged in and, unless restrained and enjoined, will continue to engage in acts, practices and courses of business which violate Section 17(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77q(a), Sections 10(b) and 13(a) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78j(b) and 78m(a), and Rules 10b-5, 12b-20, 13a-11 and 13a-13, 17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-11 and 240.13a-13, thereunder.

JURISDICTION AND VENUE

7. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act, 15 U.S.C. § 77t(b), 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 Tutornet and Forde and granting other equitable relief.

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

9. Venue is proper because certain of the acts and practices constituting the violations alleged herein occurred and are now occurring within the Alexandria Division of the Eastern District of Virginia and elsewhere, and were and are being affected, directly and

indirectly, by making use of the means and instrumentalities of interstate commerce, the mails or the facilities of a national securities exchange.

DEFENDANTS

10. **Tutor.net.com Group, Inc.** is a Delaware corporation with its principal place of business in Chantilly, Virginia. Its stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act, 15 U.S.C. § 78l(g), and is quoted on the OTC BB under the symbol "TTNP."

11. **Euburn R. A. Forde**, age 42, resides in Great Falls, Virginia. Forde is, and at all times relevant to this action has been, President, Chief Executive Officer, and Chairman of the Board of Directors of Tutor.net. Forde controls Tutor.net, signs Tutor.net's filings with the Commission, and has overall responsibility for the day-to-day operations of Tutor.net. Additionally, Forde owns 8.2 million shares or 45.3% of Tutor.net's Class A stock, and 3.5 million shares or 73.7% of Tutor.net's Class B stock.

FACTS

Tutor.net's Formation as a Public Company

12. Tutor.net, founded in 1997 by Forde, claims to be the Internet's "first virtual classroom designed to connect real teachers and students." Tutor.net's teachers, or "Netucators," and students discuss homework and academic questions with the help of software that includes a "whiteboard" and chat area. The Netucators guide students through the process of solving homework problems, without providing the answers, so that students can understand how to solve future problems.

13. Tutornet became a publicly held, registered corporation through a series of corporate reorganizations beginning on April 4, 2000, with Tutornet's incorporation in Delaware as Zycom, Inc. That transaction enabled a Colorado corporation also known as Zycom, Inc. to later change its domicile to Delaware and its name to Tutornet. On May 16, 2000, Tutornet effected a reverse merger with Segway Corporation, a registered, dormant public shell company. However, Tutornet's stock was quoted on the OTC BB at least as early as mid-April 2000.

14. On May 18, 2000, Tutornet filed a Form 8-K with the Commission, which was signed by Forde. The Form 8-K described, among other things, Tutornet's corporate history. The Form 8-K also contained audited financials as of December 31, 1999, which showed that Tutornet had an accumulated deficit of \$12,300,501 and losses of \$11,744,764 in 1999, and \$553,355 in 1998. Working capital deficits were \$6,711,953 in 1999, and \$1,408,403 in 1998.

15. While Tutornet, through Forde, acknowledges its losses in the Form 8-K, in the next breath it explains its plan to turn around the company. The plan consists of two primary components B attracting a substantial customer base for Tutornet's services and raising capital to support its operations. These two components form the basis for the misrepresentations and omissions made by Tutornet, through Forde, in its Form 8-K and Internet letter to shareholders.

**Misrepresentations and Omissions in the Form 8-K
Regarding AOL and Failure to Correct the Shareholder Letter**

16. On January 14, 2000, Tutornet entered into a contract with AOL to provide live, interactive electronic classroom services within AOL's "Ask-A-Teacher" education area. The contract required Tutornet to pay \$800,000 to AOL within a six-month period. The contract also

required Tutornet to waive certain fees for all AOL members and to feature exclusive offers for AOL members, including price discounts and product enhancements.

17. In the Shareholder Letter signed by Forde and published on Tutornet's website in January 2000, Forde stated that the "arrangement with AOL, the world's leading interactive service, will position Tutornet as the leader for real time tutoring on the Internet and give Tutornet access to AOL's more than 20 million members."

18. On April 26, 2000, AOL notified Tutornet that it was terminating the contract because Tutornet failed to make any of the payments required under the contract. Forde knew of AOL's action at or around the time of the termination.

19. Tutornet and Forde knowingly or recklessly failed to disclose the termination of the AOL contract in the Form 8-K signed by Forde and filed with the Commission on May 18, 2000. Tutornet also knowingly or recklessly failed to issue a corrective statement to the Shareholder Letter, which remained on Tutornet's website until mid or late May 2000.

20. Instead, Tutornet, through Forde, falsely stated in the Form 8-K that it was "in the process of co-branding" with AOL and that "the revenue sharing arrangement" would allow Tutornet access to more than 18 million AOL customers. Tutornet, through Forde, also falsely stated that it "expects to capture 5% of the AOL market, or 900,000 subscribers, in two years" and that the AOL "market share represents annual revenues of \$324 million when fully subscribed."

21. Tutornet and Forde knew or recklessly disregarded the fact that the statements regarding AOL in the Form 8-K were materially false and misleading and omitted to state material facts necessary to render the statements made not misleading. Tutornet and Forde also

knowingly or recklessly disregarded their obligation to issue a corrective statement after the statements regarding the AOL contract in the Shareholder Letter were rendered inaccurate by the termination of the contract.

Baseless Projection in the Form 8-K Regarding Princeton

22. Tutornet, through Forde, discussed in the Form 8-K the risk factors attendant with investment in the company. In a section of the Form 8-K entitled "Plan of Operation," Tutornet, through Forde, disclosed a going concern opinion from its auditor. An auditor will issue a going concern opinion when the auditor has substantial doubt regarding the company's ability to meet its obligations as they become due without substantial depletion of assets in the ordinary course of business. Immediately following the going concern opinion, Tutornet, through Forde, stated that it "is in the process of obtaining a \$30 million investment from an accredited investor for which [Tutornet] will issue 5,000,000 shares of its Class A and 5,000,000 Class B common stock." Tutornet also stated that "management expects the investment will close in the very near future" and that the funds "may remove an imminent threat to Tutornet's liquidity." Finally, Tutornet stated that it believed that the investment would allow the company to operate for the next ten to twelve months.

23. Although the "accredited investor" was not identified by name in the text of the Form 8-K, a copy of a May 17, 2000 letter from Princeton was appended to the Form 8-K as Exhibit 99.1. In the letter addressed to Forde from Jane Grace, President and CEO of Princeton, Grace advised that Princeton had "completed its due diligence on Tutornet.com Group, Inc. and will proceed with its investment of \$30 million in your company." Grace further stated that Princeton would wire these funds into Tutornet's bank account by May 19, 2000.

24. Despite the letter from Princeton, neither Tutornet nor Forde had any reasonable basis for making the statement regarding the \$30 million investment from Princeton and failed to disclose facts that significantly undermined the legitimacy of the statement. Tutornet and Forde had little or no information concerning the financial wherewithal of Princeton and its ability to make a \$30 million investment in Tutornet on May 19, 2000 or at all. The only documentation that Tutornet and Forde possessed regarding Princeton was an informational brochure describing Princeton as a company whose mission was "to provide [its] clients with customized International investment services" such as "International Banking" and "High Yield Investments." Forde believed Princeton to be a Bahamian company, but Princeton was stricken from the list of registered Bahamian companies in 1998. Although Forde understood Princeton to represent "high net worth individuals," he did not know the identity of any of the individuals or their financial ability to invest \$30 million in Tutornet. To date, there is no evidence that the investment ever has been made, and the information concerning the statement has not been corrected.

25. Additionally, the alleged "due diligence" that was conducted by Princeton was, at best, only a cursory review of certain corporate documents, such as Tutornet's corporate by-laws. Neither Grace nor any Princeton representative ever visited Tutornet's offices. Also, the written agreements between Tutornet and Princeton were prepared nearly two years earlier in connection with a private placement of Tutornet stock. Forde simply substituted the names, dates, price and number of shares to fit the Princeton agreement.

26. Tutornet and Forde knew or recklessly disregarded the fact that they had no reasonable basis upon which to make the projection regarding the Princeton investment in the Form 8-K.

Misrepresentations and Omissions in the Shareholder Letter Regarding HUD

27. In January 2000, Tutornet published on its website the Shareholder Letter signed by Forde. Under the heading "Some of our Partnerships," Tutornet, through Forde, stated that HUD would provide Tutornet's services in ten public housing facilities and that, "after a successful pilot program with Tutornet, HUD plans to roll out this service to over 1,000 sites across the country."

28. The claim that HUD would "roll out" Tutornet's service to 1,000 sites after completion of the pilot program was false. HUD had no ability to guarantee Tutornet any "roll out" of its services after the completion of the pilot program. At least as of April 3, 2000, HUD officials informed Forde by e-mail that almost all HUD funds flow directly to cities and housing authorities on a formula or competitive basis and that it is then a local decision, based on parameters set by Congress and HUD, how those funds will be spent. At most, HUD had agreed to meet with Forde at the end of the pilot program to assess the effectiveness of Tutornet.

29. On May 17, 2000, HUD officials notified Tutornet, through Forde, that the claim in the Shareholder Letter that HUD would "roll out" Tutornet's service to 1,000 sites after completion of the program was "patently false" and demanded that Tutornet remove the statement from all company communications. Within approximately five days, Tutornet removed the Shareholder Letter from its website. On May 19, 2000, HUD officials notified Tutornet that "as a direct result of the issues that HUD has recently had to address with Tutornet,

we will no longer interact with the company." Neither Tutornet nor Forde ever corrected the materially false statement regarding the "roll out" or disclosed the termination of HUD's relationship with Tutornet.

30. Moreover, Tutornet and Forde failed to disclose in the Shareholder Letter that Tutornet donated its services to the ten facilities that agreed to participate in the pilot program. In fact, Tutornet knew as early as July 1999 that Tutornet would be providing its services in the pilot program free of charge. Tutornet and Forde also failed to disclose that HUD advised Tutornet, through Forde, that the only means to provide funding for its services was for individual facilities to pursue government grants or corporate sponsors.

31. Tutornet and Forde knew or recklessly disregarded the fact that the statements regarding HUD in the Shareholder Letter were materially false and misleading and omitted to state material facts necessary to render the statements made not misleading.

Tutornet and Forde File a Deficient Form 10-Q

32. On August 21, 2000, Tutornet filed a Form 10-Q with the Commission that reflects, among other things, that the company's cash balance fell from \$208,000 at March 31, 2000, to \$60,000 at June 30, 2000. The Form 10-Q was signed by Forde.

33. Also included in the Form 10-Q in "Management's Discussion and Analysis of Financial Condition and Results of Operations" is the following statement:

The accompanying comparative financial statements have been prepared assuming the Company will continue to operate as a going concern. The Company's accumulated accumulated [sic] deficit continues to increase and together with insufficient working capital, management has expressed doubt about the Company's ability to continue as a going concern beyond the next 60 days.

The Company is in discussion with several entities seeking alternate sources of capital to satisfy these deficiencies.

34. Despite Tutornet's precarious financial condition, Tutornet, through Forde, failed to include a statement of cash flow in the Form 10-Q even though it is a required component of quarterly reports filed with the Commission pursuant to Regulation S-X, Rule 10-01, 17 C.F.R. § 2210.10-01(a)(4). Financial Accounting Standard 95 of Generally Accepted Accounting Principles also requires a business enterprise to include a statement of cash flows as part of a full set of financial statements.

35. In filing the Form 10-Q with the Commission on August 21, 2000, Tutornet and Forde yet again failed to avail themselves of an opportunity to correct previous material misstatements and to disclose previous material omissions in the Form 8-K and Shareholder Letter regarding: (1) Tutornet's contractual relationship with AOL; (2) the prospective investment of capital by Princeton; and (3) Tutornet's relationship with HUD.

FIRST CAUSE OF ACTION

Violations of Section 17(a) 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

36. The Commission realleges and incorporates by reference each and every allegation in Paragraphs 1 through 35 above.

37. From at least January 2000 through the present, defendants Tutornet and Forde, directly or indirectly, making use of any means or instruments of transportation or communication in interstate commerce, or any means or instrumentality of interstate commerce,

or the mails, or any facility of any national securities exchange, in connection with the offer, purchase or sale of any security:

- (a) employed devices, schemes or artifices to defraud;
- (b) obtained money or property by means of, or made, untrue statements of material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances in which they were made, not misleading; or
- (c) engaged in acts, transactions, practices or courses of business which operated or would operate as a fraud or deceit upon any person.

38. As part of and in furtherance of this violative conduct, Tutornet and Forde, in connection with the purchase or sale of the securities of Tutornet, engaged in a deliberate, fraudulent scheme to disseminate statements to the public that were materially misleading or which omitted to state material facts necessary to render the statements made not misleading, as set forth in this Complaint.

39. By reason of the foregoing, defendants Tutornet and Forde have violated, are violating, and unless enjoined will continue to violate Section 17(a) 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.

SECOND CAUSE OF ACTION

Violations of Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and Rules 12b-20, 13a-11 and 13a-13, 17 C.F.R. §§ 240.12b-20, 240.13a-11 and 240.13a-13, thereunder

40. The Commission realleges and incorporates by reference each and every allegation in Paragraphs 1 through 35 above.

41. Defendant Tutornet, aided and abetted by defendant Forde, in connection with any issuer whose securities are registered with the Commission pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, and any issuer which is required to file reports pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d), directly or indirectly, violated Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and Rules 12b-20, 13a-11 and 13a-13, 17 C.F.R. §§ 240.12b-20, 240.13a-11 and 240.13a-13, thereunder, by causing any current or periodic report, which is required to be filed with the Commission pursuant to the above referenced provisions, to contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances in which they were made, not misleading.

42. By reason of their foregoing acts and practices, defendant Tutornet, aided and abetted by defendant Forde, violated Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and Rules 12b-20, 13a-11 and 13a-13, 17 C.F.R. §§ 240.12b-20, 240.13a-11 and 240.13a-13, thereunder.

WHEREFORE, the Commission respectfully requests that this Court:

I.

Issue an injunction permanently restraining and enjoining defendant Tutornet from violating Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), Sections 10(b) and 13(a) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78m(a), and Rules 10b-5, 12b-20, 13a-11 and 13a-13, 17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-11 and 240.13a-13, thereunder.

II.

Issue an injunction permanently restraining and enjoining defendant Forde from violating Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), Sections 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 from aiding and abetting violations of Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and Rules 12b-20, 13a-11 and 13a-13, 17 C.F.R. §§ 240.12b-20, 240.13a-11 and 240.13a-13, thereunder.

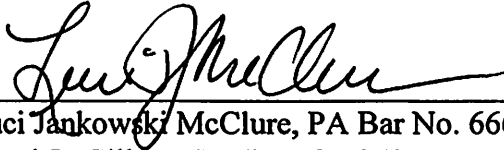
III.

Issue an order requiring defendants Tutornet and Forde to pay civil penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d)(3), as a result of the violations set forth herein.

IV.

Order such other and further relief as this Court may deem just and appropriate.

Respectfully submitted,



Luci Jankowski McClure, PA Bar No. 66631

Merri Jo Gillette, PA Bar No. 37075

Barry Isenman, PA Bar No. 40956

Celeste Chase, PA Bar No. 62233

Attorneys for Plaintiff:

Securities and Exchange Commission

The Curtis Center, Suite 1120 E.

601 Walnut Street

Philadelphia, PA 19106

(215) 597-3100

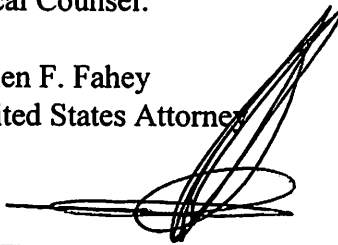
(215) 597-2740 fax

Local Counsel:

Helen F. Fahey

United States Attorney

By:



Richard Parker, Assistant United States Attorney

Virginia Bar No. 44751

2100 Jamieson Avenue

Alexandria, VA 22314

(703) 299-3700

Dated: August 29, 2000