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MAGISTRATE JUDGE GUZMAN

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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS

	:	
SECURITIES AND EXCHANGE COMMISSION,	:	
	:	
Plaintiff,	:	Civ. No.
	:	
v.	:	
	:	
THE FUTURE SUPERSTOCK, INC.	:	COMPLAINT
and JEFFREY C. BRUSS,	:	
	:	
Defendants.	:	
	:	

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against defendants Jeffrey C. Bruss ("Bruss") and The Future Superstock, Inc. ("FSS") (collectively, the "Defendants"), alleges as follows:

INTRODUCTION

1. Since approximately February 1996, Bruss and/or FSS have defrauded the investing public through the publication of an Internet newsletter called *The Future Superstock*, and through a

related web site located at www.futuresuperstock.com. In both the newsletter and on the web site, FSS and Bruss have made material misrepresentations and omitted to state material facts while selling stock in the issuers profiled in *The Future Superstock*.

2. From approximately February 1996 until October 1997 Bruss and/or FSS failed to tell investors that they were being paid to profile the various issuers featured in *The Future Superstock* as the "Stock Pick of the Month."

3. In addition, Bruss and FSS falsely represented to the investing public that they had performed independent research and analysis in order to select these issuers, when in fact they had done little, if any, research in preparing the profiles. They also made misleading statements in the profiles regarding the respective performances of securities previously chosen as the "Stock Pick of the Month" in *The Future Superstock*.

4. Bruss and FSS also did not disclose to the investing public that on a number of occasions Bruss sold the stock of issuers profiled in *The Future Superstock* shortly after they had e-mailed favorable profiles of those issuers to subscribers. In some instances Bruss and FSS had been paid this stock as compensation for profiles, and in others Bruss had purchased it himself on the open market. In each case, however, Bruss and FSS sold the stock they had acquired at a time when they were advising the investing public, through the medium of the newsletter, to buy that same stock.

5. Bruss and FSS, directly or indirectly, singly or in concert, have engaged, are continuing to engage, and are about to engage in, transactions, acts, practices, and courses of business that constitute, and would constitute, violations of Sections 17(a) and (b) of the Securities

Act of 1933, as amended ("Securities Act"), 15 U.S.C. §§77q(a) and (b); and Section 10(b) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5.

6. Unless Defendants are restrained and enjoined, they will continue to engage in the transactions, acts, practices, and courses of business set forth in this Complaint and in transactions, acts, practices, and courses of business of similar type and object.

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) of the Exchange Act, 15 U.S.C. § 78u(d), to restrain and enjoin Bruss and FSS from future violations of the federal securities laws. The Commission also seeks disgorgement by the Defendants of their ill-gotten gains plus prejudgment interest, civil penalties, and such other equitable relief as may be deemed appropriate.

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

9. The Commission, pursuant to authority conferred upon it by Sections 10(b) and 23(a) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78w(a), has promulgated Rule 10b-5, 17 C.F.R. § 240.10b-5. Rule 10b-5 was in effect at the time of the transactions and events alleged in this Complaint and remains in effect.

10. The Defendants, directly or indirectly, singly or in concert, made use of the means or instruments of transportation and communication in, and the means or instrumentalities of, interstate commerce, or of the mails, in connection with the transactions, acts, practices and courses of business alleged herein. Certain of the transactions, acts, practices and courses of business alleged herein took place in the Northern District of Illinois, including, but not limited to, the publication of *The Future Superstock*, the development of its home page and related web sites, and the direction by Bruss of trading in the brokerage accounts beneficially owned by him and FSS. Bruss resides in the Northern District of Illinois.

DEFENDANTS

11. FSS is an Illinois corporation based in West Chicago, Illinois.

12. Jeffrey C. Bruss, age 37, of West Chicago, Illinois, is the sole shareholder, officer and director of FSS.

FACTS

Background: publication of *The Future Superstock* and development of its web site.

13. In early 1996, Bruss became interested in using the Internet to provide information at no charge on securities and investing to the public. Accordingly, he used his own server to set up a site for a company that wished to make information available over the Internet about its stock and business.

14. Subsequently, Bruss was hired to set up a web site for another company seeking to generate investor interest in its stock. He also wrote a profile of this company, in which he

stated that he believed its stock price “would double or triple in the next six to 12 months.”
Bruss posted the profile on the web site he had set up for that company on his server.

15. In February 1997 Bruss incorporated FSS for use in connection with the Internet business and *The Future Superstock*.

16. Through at least June 1998, Bruss and/or FSS continued to provide web site development services for, and write profiles for, a series of issuers. The stock of the majority of these issuers was listed on the OTC Bulletin Board.

17. Bruss personally wrote all the profiles appearing in *The Future Superstock*, as well as any supplemental profiles concerning issuers already profiled. He also personally performed all the research conducted in connection with each profile. He did so without assistance or input from any other person.

18. Bruss was the only person who determined which issuers would be profiled in *The Future Superstock*, and when the profiles of those issuers would be e-mailed to subscribers.

19. During 1996 and 1997, the web site development services provided by FSS and/or Bruss consisted of an FSS home page with links to sites concerning the issuers profiled in *The Future Superstock* within the most recent 12 months. These issuer sites in turn consisted of a home page with further links to other company-specific information, including press releases, biographies of management, and industry information, among others.

20. The issuer sites were also written and maintained by Bruss and his staff at FSS.

21. Approximately once a month, Bruss wrote a profile of a new issuer and selected it as his "Stock Pick of the Month." Bruss stated in his profiles that he had selected these issuers based on his assessment that their stock would double or triple within the next six to 12 months.

22. In addition to the "Stock Pick of the Month," Bruss and/or FSS also published profile updates concerning past picks, often highlighting and reproducing company press releases or other relevant news. These updates were published whenever Bruss elected to do so, sometimes more often than once a month.

23. Initially, the profiles were e-mailed to subscribers and then placed on the FSS home page several days later. Anyone is able to subscribe to *The Future Superstock* at no cost simply by transmitting his name and other information to FSS using a site provided on the FSS home page.

24. Bruss wrote profiles for almost all the issuers for whom he developed web sites.

25. When an issuer paid cash for the services rendered by Bruss and FSS, Bruss sometimes had that payment put in the name of FSS, and sometimes in his own name. Similarly, when an issuer paid in stock, those shares were sometimes transferred into an account maintained in the name of FSS, and sometimes to an account in Bruss's name.

26. Bruss treated the brokerage and bank accounts in the name of FSS as his own to do with as he wished.

27. When Bruss published his first issues of *The Future Superstock*, he charged the issuer only approximately \$7,500. For this issuer he both developed a web site and wrote a

profile. By spring 1998, Bruss and FSS were able to command up to \$300,000 for what he now termed an "investor relations package." This essentially included the web site services, one or more profiles e-mailed to investors, and also supplemental e-mails concerning company press releases.

Disclosure of compensation received by Bruss and FSS from issuers profiled in *The Future Superstock*.

28. At the end of each profile Bruss wrote, he added a disclaimer alerting the reader to various issues related to the profile and an investment in the securities discussed therein. This disclaimer statement has undergone a series of changes since Bruss first began publishing *The Future Superstock*.

29. For most of the time period discussed herein, the FSS home page and associated issuer home pages did not contain any disclaimer or any discussion of compensation paid for profiles. Such a disclaimer was first added to the FSS home page in June 1998. Further modifications were made to that home page disclaimer in August 1998. Currently, the disclaimer is available by link to anyone who accesses the FSS home page.

30. From February 1996 through September 27, 1997, Bruss and FSS received substantial compensation in the form of cash and/or stock from issuers they profiled in *The Future Superstock*. In all, during this time they received approximately \$181,000 in cash payments and approximately 570,000 shares of stock of the various issuers. These shares were worth over \$900,000 in the aggregate based on their respective per share prices at the time Bruss and FSS received the shares.

31. In all but a very few cases, the arrangements for compensation between Bruss and FSS, and the issuers, were oral and were not reduced to writing.

Inadequate disclosure of compensation in profiles

32. From February 1996 until approximately November 1996 there was no disclosure in the profiles of the possibility that the issuers being profiled were paying compensation for those profiles.

33. From approximately December 21, 1996 through approximately September 1997, with one exception, the disclaimer included in the profiles disclosed only that persons associated with *The Future Superstock* “may own stock of or have other financial dealings with the companies reviewed in this publication” [emphasis added].

34. Not until October 1997 did Bruss and FSS begin disclosing, in the disclaimer at the end of each profile, exactly how much compensation had been paid by the issuer in question, and whether that compensation had been paid in cash or in stock.

Inadequate disclosure of compensation on FSS home page

35. Until approximately June 1998, there was no disclaimer statement at all included on the FSS home page. At that time, Bruss and FSS added a long “Disclosure Statement” accessible by link from the home page, which stated only that FSS “may receive compensation in cash or stock for promotional or public relations services, including web site development” [emphasis added].

36. In approximately August 1998, the Disclosure Statement linked to the FSS home page was updated to include specific disclosure of exactly how much compensation had

been paid by each issuer whose name still appeared on the home page, and whether that compensation had been paid in cash or in stock.

Trading by Bruss in stock of profiled issuers

37. On several occasions, Bruss sold the stocks of issuers he profiled at the same time he was recommending in *The Future Superstock* that the investing public buy them. Bruss and FSS acquired these shares in some cases as compensation for profiles in *The Future Superstock*, and in others through open-market purchases.

38. On at least nine occasions, Bruss sold the stock of an issuer he had profiled soon after that profile had been e-mailed to subscribers. These sales began in approximately May 1996 and continued through May 1997. If the basis in these shares is computed based on their respective per share prices on the date received by Bruss or FSS, the total profit from these trades would be in excess of \$200,000.

39. In a number of instances, Bruss sold these issuer stocks at prices that were elevated following his dissemination of the profile concerning that issuer in *The Future Superstock*.

Inadequate disclosure of Bruss's trading: in profiles

40. From February until approximately December 1996, there was no disclosure at all in the profiles concerning Bruss's sales of the stocks he profiled after those profiles had been e-mailed to subscribers.

41. From approximately December 1996 until approximately October 1997, the profiles disclosed only generally that "the Editor, members of the Editor's family and/or

entities with which they are affiliated may own stock of . . . the companies reviewed in this publication.”

42. The disclaimer included at the end of each profile never fully disclosed that Bruss was selling stocks of issuers featured in *The Future Superstock* at the same time that he was recommending that the investing public buy these same stocks.

Inadequate disclosure of Bruss’s trading on FSS home page

43. From February 1996 until approximately June 1998, there was no disclosure at all on the FSS home page concerning the fact that Bruss sometimes sold the stocks he profiled after those profiles had been e-mailed to subscribers.

44. In June 1998, the Disclosure Statement was made accessible by link from the FSS home page. This statement disclosed only that “[t]he editor or the editor’s affiliates and/or family may have positions in stock of the companies reviewed in this publication and may increase or decrease these positions at any time.”

45. The Disclosure Statement accessible from the FSS home page never fully disclosed that Bruss was selling stocks of issuers featured in *The Future Superstock* at the same time that he was recommending that the investing public buy these same stocks.

Other misrepresentations and omissions in profiles.

46. In addition to failing to disclose the payment of compensation and Bruss’s trading in profiled stocks, the profiles are characterized by other misrepresentations and omissions as well.

Failure to disclose that little research was performed.

47. Bruss writes in each issue of *The Future Superstock* that the newsletter “is highly selective in the companies that it profiles and reviews.” He further states in the profiles that “[c]ompanies are chosen on the basis of financial strength and potential in order to provide the investor with possible potential while minimizing, whenever possible, the downside risk.” These statements, among others, lead the reader to believe that Bruss has performed research and analysis in selecting his “Stock Picks of the Month.”

48. One of the issuers profiled by Bruss and FSS was Crowne Ventures, Inc. On September 14, 1996, in his profile of Crowne Ventures, Inc., Bruss wrote that “. . . we have decided to do a complete due diligence (fact finding study) of each individual company that we profile.” In fact, Bruss and FSS did not perform such a due diligence study of each issuer profiled after that date.

49. In fact, Bruss and FSS performed very little investment research beyond reviewing public filings and speaking with the management of the issuers they intended to profile. In addition, during much of the time he published *The Future Superstock*, Bruss was relatively uninformed concerning financial statement analysis.

50. Another issuer profiled by Bruss and FSS was Keystone Energy Services (“Keystone”). In the fall of 1997, Bruss and FSS were alerted to the possibility that a press release previously issued by Keystone, which had recently been profiled in *The Future Superstock*, was false. All they did to investigate the allegations, however, was discuss them with management.

51. On November 15, 1997, FSS and Bruss published a follow-up profile, featuring two Keystone press releases that announced contracts between Keystone and Honeywell, Inc. and CommUnique Corp., respectively. Despite FSS's pledge, in the Crowne Ventures profile, to perform complete due diligence on profiled companies, FSS and Bruss failed to discover that the two Keystone press releases that announced each such contract were false and misleading.

Failure to fully disclose facts concerning performance of past stock picks.

52. In the majority of the profiles of the "Stock Pick of the Month" in *The Future Superstock*, Bruss briefly discussed the performance of a selected few past stock picks. In most cases, he limits himself to stating the price of the stock at the time he featured it in the newsletter, and comparing that price to the highest price the stock has reached since that time.

53. Bruss does not disclose, however, that a large percentage of the stocks selected as the "Stock Pick of the Month" reached that high price for only a brief time, and that it would not have been easy for the average investor to time his sale of such a stock to attain that highest price.

54. As of September 1, 1998, most of the stocks profiled in *The Future Superstock* had declined significantly in price since the date they were profiled. Of 19 stocks featured as the "Stock Pick of the Month," the average decline in their price since the respective dates they were profiled was over 75%.

CLAIMS FOR RELIEF
FIRST CLAIM FOR RELIEF
Violations of Section 17(b) of
the Securities Act
(Failure to Disclose Compensation --
Bruss and FSS)

55. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 54 above.

56. From in or about February 1996 through at least August 1998, Bruss and FSS, by the use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails, have published, given publicity to, and circulated a notice, circular, advertisement, newspaper, article, letter, investment service, or communication which, though not purporting to offer a security for sale, described such security for a consideration received or to be received, directly or indirectly, from an issuer, underwriter or dealer, without fully disclosing the receipt, whether past or prospective, of such consideration and the amount thereof.

Violations of Section 17(a)(1) of
the Securities Act and Section 10(b)
of the Exchange Act and Rule 10b-5
SECOND CLAIM FOR RELIEF
(Material Misrepresentations and Omissions --
Bruss and FSS)

57. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 54 above.

58. From in or about February 1996 through the present, Bruss and FSS, directly or indirectly, singly or in concert, by use of the means or instruments of transportation or

communication in, or the means or instrumentalities of, interstate commerce, or of the mails, in connection with the purchase or sale of securities, and in the offer or sale of securities, knowingly or recklessly, have: (1) employed devices, schemes and artifices to defraud; (2) made untrue statements of material fact, or have omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (3) engaged in acts, transactions, practices and courses of business which have operated as a fraud or deceit upon purchasers of the securities of issuers profiled in *The Future Superstock* and other persons.

59. As part and in furtherance of this fraudulent conduct, Bruss and FSS knowingly failed to disclose to prospective investors that Bruss was selling the stock of issuers profiled in *The Future Superstock* at the same time as he and FSS were recommending to investors in the newsletter that they purchase these same securities.

60. As part and in furtherance of this fraudulent conduct, Bruss and FSS also knowingly made material misrepresentations to prospective investors, to the effect that they had performed independent research and analysis in connection with the profiles published in *The Future Superstock*. In fact, they had performed little, if any, independent research or analysis.

61. As part and in furtherance of this fraudulent conduct, Bruss and FSS knowingly failed to disclose to prospective investors material facts relating to the performance of stocks previously profiled in *The Future Superstock* as the "Stock Pick of the Month."

62. By reason of the foregoing, Bruss and FSS, have, directly or indirectly, singly or in concert, violated Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5.

THIRD CLAIM FOR RELIEF
Violations of Section 17(a)(2) and (3)
of the Securities Act
(Material Misrepresentations and Omissions --
Bruss and FSS)

63. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 54 above.

64. From in or about February 1996 through the present, Bruss and FSS, directly or indirectly, singly or in concert, by use of the means or instruments of transportation or communication in, or the means or instrumentalities of, interstate commerce, or of the mails, in the offer or sale of securities, have: (1) employed devices, schemes and artifices to defraud; (2) made untrue statements of material fact, or have omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (3) engaged in acts, transactions, practices and courses of business which have operated as a fraud or deceit upon purchasers of the securities of issuers profiled in *The Future Superstock* and other persons.

65. As part and in furtherance of this fraudulent conduct, Bruss and FSS knowingly failed to disclose to prospective investors that Bruss was selling the stock of issuers profiled in *The Future Superstock* at the same time as he and FSS were recommending to investors in the newsletter that they purchase these same securities.

66. As part and in furtherance of this fraudulent conduct, Bruss and FSS also knowingly made material misrepresentations to prospective investors, to the effect that they had performed independent research and analysis in connection with the profiles published in *The Future Superstock*.

67. As part and in furtherance of this fraudulent conduct, Bruss and FSS knowingly failed to disclose to prospective investors material facts relating to the performance of stocks previously profiled in *The Future Superstock* as the “Stock Pick of the Month.”

68. By reason of the foregoing, Bruss and FSS, have, directly or indirectly, singly or in concert, violated Section 17(a) of the Securities Act, 15 U.S.C. §§77q(a).

RELIEF REQUESTED

WHEREFORE, Plaintiff respectfully requests that this court:

I.

Grant a Final Judgment permanently enjoining Bruss and FSS, their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Sections 17(a) and (b) of the Securities Act, 15 U.S.C. §§77q(a) and (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.

II.

Grant a Final Judgment requiring the Defendants to disgorge an amount equal to the funds and benefits they obtained illegally as a result of the violations alleged herein, plus prejudgment interest on that amount.

III.

Grant a Final Judgment assessing penalties against the Defendants pursuant to Section 20(b) of the Securities Act and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d).

IV.

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 Commission for additional relief within the jurisdiction of this Court.

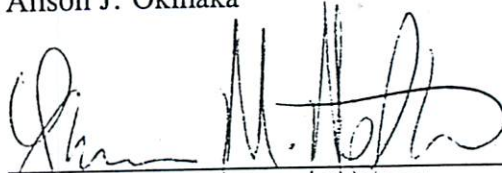
V.

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

Dated: October 27, 1998

Respectfully Submitted,

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