



***United States Attorney
Southern District of New York***

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**SMART ONLINE CEO AND TWO OTHERS FOUND GUILTY OF
MANIPULATION OF COMPANY STOCK**

LEV L. DASSIN, the Acting United States Attorney for the Southern District of New York, announced that DENNIS MICHAEL NOURI, the former Chief Executive Officer ("CEO") and President of Smart Online, REZA ERIC NOURI, a former Smart Online employee and brother of the CEO, and stock broker ANTHONY MARTIN were found guilty today, after a three-week jury trial before United States District Judge DENNY CHIN.

According to the Superseding Indictment and the evidence at trial:

From May 2005 through July 2007, DENNIS MICHAEL NOURI and REZA ERIC NOURI engaged in a fraudulent scheme designed to manipulate the price of the securities of Smart Online, which was publicly traded on the OTC-Bulletin Board. As part of the scheme, the NOURIS bribed brokers, including MARTIN, to sell Smart Online stock to their customers so that the price of the stock went up.

In recorded conversations that took place after the Securities and Exchange Commission ("SEC") suspended trading of Smart Online stock on the NASDAQ, DENNIS MICHAEL NOURI described how to lie to investigators to cover up the scheme and how to conceal the nature of the illegal kickbacks to brokers. In another meeting, DENNIS MICHAEL NOURI took a cooperating broker's cell phone to delete a phone number the broker had been using to contact him, and gave the broker a number to call when speaking with him in the future.

Each of the defendants was found guilty of one count of conspiracy to commit securities fraud, wire fraud, and commercial bribery, and one count of securities fraud. DENNIS MICHAEL NOURI and REZA ERIC NOURI each were found guilty of three additional counts of wire fraud and one count of commercial bribery. The conspiracy and commercial bribery charges each carry a maximum

sentence of 5 years in prison and a maximum fine of the greater of \$250,000, or twice the gross gain or loss from the offenses. The securities fraud and wire fraud charges each carry a maximum sentence of 20 years in prison. The securities fraud charge carries a maximum fine of the greater of \$5 million, or twice the gross gain or loss from the offense. Each of the wire fraud charges carries a maximum fine of the greatest of \$250,000, or twice the gross gain or loss from the offense.

Following the jury's return of a guilty verdict against all of the defendants on all nine charges in the Indictment, Judge CHIN remanded into custody DENNIS MICHAEL NOURI, who had been out on bail pending trial. REZA ERIC NOURI and MARTIN remain out on bail. All three defendants are scheduled to be sentenced on October 6, 2009.

Co-defendants and stock brokers, ALAIN LUSTIG and RUBEN SERRANO, pleaded guilty on May 22, 2009, to conspiracy to commit securities fraud, wire fraud, and commercial bribery in addition to securities fraud.

Mr. DASSIN praised the investigative work of the Federal Bureau of Investigation and thanked the SEC for its investigation.

Assistant United States Attorneys REED MICHAEL BRODSKY and JESSICA A. ROTH are in charge of the prosecution.

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