



*United States Attorney
Southern District of New York*

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**CEO AND THREE OTHERS INDICTED FOR
MANIPULATION OF SMART ONLINE STOCK**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced today 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 brokers RUBEN SERRANO and ALAIN LUSTIG were indicted today on charges arising from the NOURIS' fraudulent scheme to pay undisclosed bribes to brokers, including the other two defendants, to solicit their customers to purchase Smart Online shares, thereby driving up the price of the stock. According to the Indictment, and a Complaint previously filed in Manhattan federal court:

From May 2005 through July 2005, DENNIS MICHAEL NOURI and his brother REZA ERIC NOURI engaged in a fraudulent scheme designed to manipulate the price of the securities of Smart Online, which stock is publicly traded on the OTC-Bulletin Board. As part of the scheme, the CEO and his brother bribed brokers, including SERRANO and LUSTIG, to sell Smart Online stock to their customers so that the price of the stock went up. In several recorded conversations and telephone calls, DENNIS MICHAEL NOURI and REEZA ERIC NOURI discussed the details of the fraudulent scheme, including the amount of the kickbacks paid to brokers for buying Smart Online stock and the NOURIS' desire to pump up the price of the stock before the company was listed on the NASDAQ Capital Market.

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 be careful when paying kickbacks to brokers. He warned that someone might be taking pictures and demonstrated how to transfer money to another person without being seen. 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.

DENNIS MICHAEL NOURI, REEZA ERIC NOURI, RUBEN SERRANO, and ALAIN LUSTIG were indicted today and are expected to be arraigned before United States District Judge DENNY CHIN on November 20, 2007 at 2:00 p.m.

All the defendants are charged with 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 are charged with additional counts of wire fraud and commercial bribery. The conspiracy and commercial bribery charges each carry a maximum sentence of 5 years' imprisonment and a maximum fine of the greater of \$250,000, or twice the gross gain or loss from the offense. The securities fraud and wire fraud charges each carry a maximum sentence of 20 years' imprisonment and a maximum fine of \$5 million, or twice the gross gain or loss from the offense.

Mr. GARCIA praised the efforts of the Federal Bureau of Investigation and the SEC in the investigation of this case.

Assistant United States Attorney REED MICHAEL BRODSKY is in charge of the prosecution.

The charges contained in an Indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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