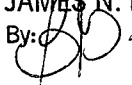


IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION

JUL 14 2008

JAMES N. HATTEN, Clerk  
By:  Deputy Clerk

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SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

v.

MOBILE READY  
ENTERTAINMENT CORP.,  
MICHAEL H. MAGOLNICK AND  
CRAIG A. MORA,

Defendants.

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Civil Action No.

1 08-CV-2263

**COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF**

The plaintiff, Securities and Exchange Commission ("Commission") files its complaint and alleges that:

1. This action involves a fraudulent "pump and dump" stock scheme by Defendants Mobile Ready Entertainment Corp. ("Mobile Ready"), Michael H. Magolnick ("Magolnick"), and Craig A. Mora ("Mora") (collectively, the "Defendants"), along with insider trading and securities registration violations committed by Magolnick and Mora.

2. After December 2006, Magolnick and Mora created artificial demand for Mobile Ready's stock through the dissemination of false and misleading press releases.

3. The false and misleading press releases that the Defendants issued contained, among other things, baseless projections of future revenue, misleading overstatements of business relationships, and identified contracts for future business that did not exist.

4. Collectively these false and misleading press releases materially impacted the market for Mobile Ready's stock.

5. After each of the various false and misleading press releases were published, the price and trading volume of Mobile Ready's stock increased, affording Magolnick and Mora a favorable market into which they could sell their restricted shares in Mobile Ready to the public.

6. Magolnick and Mora, the principal officers of Mobile Ready, knew, or were severely reckless in not knowing, that the press releases contained false revenue projections and falsely claimed purportedly profitable new business relationships for Mobile Ready.

7. Nonetheless, they each sold substantial amounts of the restricted shares they each held in the company in transactions that were not exempt from registration.

8. Through their conduct, Mobile Ready, Magolnick and Mora, directly or indirectly, engaged in acts, practices, and courses of business which have constituted and will constitute violations of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder.

9. Through their conduct, Magolnick and Mora, directly or indirectly, engaged in acts, practices, and courses of business which have constituted and will constitute violations of Sections 5(a) and 5(c) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §§ 77e(a) and 77e(c)].

10. Defendants, unless enjoined by this Court, will continue to engage in the acts, practices, and courses of business alleged herein, and in acts, practices and courses of business of similar purport and object.

## **JURISDICTION AND VENUE**

11. The Commission brings this action pursuant to Sections 20 and 22 of the Securities Act [15 U.S.C. §§ 77t and 77v] and Section 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)], to enjoin Defendants from engaging in the transactions, acts, practices, and courses of business alleged in this complaint, and transactions, acts, practices, and courses of business of similar purport and object, for disgorgement of illegally obtained funds together with prejudgment interest thereon, civil money penalties, penny stock bars, officer and director bars, and other equitable relief.

12. This Court has jurisdiction over this action pursuant to Sections 20 and 22 of the Securities Act [15 U.S.C. §§ 77t and 77v] and Section 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)].

13. Defendants, directly and indirectly, made use of the mails, the means and instruments of transportation and communication in interstate commerce and the means and instrumentalities of interstate commerce in connection with the transactions, acts, practices, and courses of business alleged in this complaint.

14. Certain of the transactions, acts, practices, and courses of business constituting violations of the Securities and Exchange Acts occurred in the Northern District of Georgia, including, but not limited to:

(a) Mobile Ready's principal place of business is located within the Northern District of Georgia; and

(b) Magolnick and Mora resided in and were physically present within the Northern District of Georgia while the conduct described in this complaint occurred.

15. Defendants, unless restrained and enjoined by this Court, will continue to engage in the transactions, acts, practices, and courses of business alleged in this complaint, and in transactions, acts, practices, and courses of business of similar purport and object.

#### **THE DEFENDANTS**

16. **Mobile Ready Entertainment Corp.**, is a Delaware corporation, headquartered in Alpharetta, Georgia, that claims to develop, market, and sell wireless software applications, services related to mobile devices, and entertainment-based content for mobile devices. Mobile Ready is a non-reporting,

publicly-traded company quoted on the Pink OTC Markets, Inc. (“Pink Sheets”) under the symbol “MRDY.”

17. **Michael H. Magolnick**, was co-chief executive officer of Mobile Ready from December 2006 until his resignation in December 2007. Magolnick resided in Cumming, Georgia while much of the conduct described in this complaint occurred.

18. **Craig A. Mora**, was co-chief executive officer until Magolnick resigned in December 2007 and currently serves as the chief executive officer and chairman of the board of Mobile Ready. Mora resided in Cumming, Georgia while much of the conduct described in this complaint occurred.

## **FACTS**

### **A. Mobile Ready’s Corporate History**

19. Magolnick and Mora first began working together at Complete Identity, Inc. (“Complete Identity”), a Delaware corporation they formed in 2004 which provided corporate branding services, including website and logo creation and design.

20. In August 2005, Complete Identity acquired Webcentric, Inc. (“Webcentric”) through a reverse merger transaction. Webcentric was a defunct public company shell whose shares were quoted on the Pink Sheets. Complete Identity was thereafter quoted on the Pink Sheets under the symbol “CIDY.”

21. In October 2005, Complete Identity issued certificates for 36.9 million shares each to both Magolnick and Mora. These certificates bore legends designating them as restricted securities that had not been registered with the Commission and could not be sold into the public market without first being registered with the Commission or subject to an applicable exemption from registration.

22. In November 2006, Mora and Magolnick provided 480,000 shares of Complete Identity to Mobile Ready’s existing directors in exchange for total management control of Mobile Ready. Magolnick and Mora thereafter assumed the roles of co-chairmen of Mobile Ready’s board and divided the remaining corporate officer positions between themselves.

23. In December 2006, without submitting the issue to a shareholder vote, Magolnick and Mora merged Complete Identity into Mobile Ready.

24. Immediately following their acquisition, Magolnick and Mora authorized a 1:25 reverse stock split for Mobile Ready, followed by a 1:10 forward split. Existing shareholders of Complete Identity, including Magolnick and Mora were offered the opportunity to exchange, on a 1:1 basis, their Complete Identity shares for shares of Mobile Ready.

**B. Defendants “Pump” the Mobile Ready Market**

25. Between January and July 2007, Defendants issued sixteen separate press releases, many of which contained false statements of material fact and omitted to state material facts necessary to make the statements made therein not misleading.

26. For example, on or about January 31, 2007, Mobile Ready issued a press release, drafted and reviewed by Magolnick and Mora (the “January 31 Press Release”), announcing the launch of a new text messaging service that purportedly enabled Mobile Ready’s business customers to market directly to mobile phones via text messages.

27. The January 31 Press Release further stated: “Mobile Ready subsidiary, Complete Identity [sic] has already been working closely with



companies in the Direct Selling Association” and that “company executives are confident that the industry relationship will yield several million dollars in new business for Mobile Ready over the coming years.”

28. In fact, as Magolnick and Mora knew, Mobile Ready had no such relationships with members of the Direct Selling Association and Defendants had no reasonable basis for stating in the January 31 Press Release that “company executives are confident that the industry relationship will yield several million dollars in new business for Mobile Ready in the coming years.”

29. The trading volume for shares of Mobile Ready increased nearly 300% on the day after the January 31 Press Release as compared to the average daily trading volume of the prior five trading days.

30. Magolnick and Mora caused Mobile Ready to issue another press release on February 12, 2007, (the “February 12 Press Release”), that announced financial projections for fiscal years 2007 and 2008.

31. The February 12 Press Release falsely claimed “Mobile Ready projects \$10.1 million in revenue for 2007 and \$14.8 million in 2008.”

32. Defendants had no reasonable basis to project revenues of \$10.1 million for fiscal year 2007 and \$14.8 million for fiscal year 2008.

33. The trading volume for shares of Mobile Ready increased nearly 550% on the day after the February 12 Press Release as compared to the average daily trading volume of the prior five trading days. Additionally, Mobile Ready's per share price closed 57% higher on February 13, 2007, from \$0.07 to \$0.11, as compared to the closing price for the trading day immediately prior to the February 12 Press Release.

34. On July 19, 2007, Magolnick caused Mobile Ready to issue a press release (the "July 19 Press Release"), which falsely claimed that Mobile Ready had been "awarded an exclusive contract with Simply Fit Holdings, Inc."

35. The July 19 Press Release falsely further claimed that the contract with Simply Fit Holdings, Inc. ("Simply Fit") "could yield in excess of one million (\$1,000,000) dollars of revenue for [Mobile Ready] over the next year...."

36. The July 19 Press Release quoted Magolnick as saying "Simply Fit has put their [sic] trust in Mobile Ready's services for the launch of their entire national beverage product line."

37. At the time, Defendants knew that Mobile Ready had no contractual relationship with Simply Fit and that there was no reasonable basis to claim that Mobile Ready had such a contract with Simply Fit.

38. The trading volume for shares of Mobile Ready increased nearly 300% on the day after the July 19 Press Release as compared to the trading volume of the prior day.

**C. Magolnick and Mora “Dump” their Unregistered Shares**

39. Between February 6 and July 5, 2007, Magolnick and Mora each personally received 76.9 million Mobile Ready shares. These shares had never been registered with the Commission and the certificates for these shares bore legends designating them as restricted securities that had not been registered with the Commission and could not be sold into the public market without first being registered with the Commission or subject to an applicable exemption from registration.

40. These shares included those obtained in connection with the 1:1 share exchange that Mobile Ready offered to Complete Identity shareholders following the December 2006 merger in which Mobile Ready acquired Complete Identity, as

well as new issuances they made under their power as co-chairmen of Mobile Ready's board.

41. In March 2007, shortly after the issuance of the January 31 Press Release and the February 12 Press Release, and while the market for Mobile Ready shares was artificially inflated, Magolnick and Mora began efforts to sell their holdings in Mobile Ready.

42. Since their shares in Mobile Ready were restricted and had never been registered with the Commission, Magolnick and Mora sought to obtain exemptions from registration under Rule 144 of the Securities Act [17 C.F.R. § 230.144] ("Rule 144").

43. In order to obtain exemptions from registration, Magolnick and Mora each made a series of written representations to legal counsel and to their respective broker-dealers to qualify for the exemptions from registration provided under Rule 144 (the "Rule 144 Representations").

44. Magolnick and Mora's Rule 144 Representations contained multiple false statements, including, but not limited to, statements that they were not affiliates of Mobile Ready (when in fact as co-chief executive officers of Mobile

Ready they were plainly affiliates) and that Mobile Ready was a reporting company current in its filing obligations to the Commission (when in fact Mobile Ready was a non-reporting company that had never made any filings with the Commission).

45. Magolnick and Mora also falsely represented in their Rule 144 Representations that they had beneficially owned the relevant shares of Mobile Ready for at least one year, when in fact they had been acquired at the earliest in December 2006 following the Complete Identity share exchange.

46. Moreover, there was not adequate public information, either on file with the Commission, on demand from market makers in Mobile Ready, or from any other public source, as was required to be in compliance with Rule 144.

47. Since Magolnick and Mora had not held their shares of Mobile Ready for at least one year and adequate public information for Mobile Ready did not exist, Magolnick and Mora could not rely on exemptions from registration under Rule 144, and were required to register the relevant shares of Mobile Ready prior to sale into the public market.

48. Without obtaining exemption from registration under Rule 144, or any other valid exemption from registration, and without registering any of their shares of Mobile Ready, Magolnick and Mora sold their shares into the public market via the Pink Sheets.

49. Between April and July, 2007, Magolnick sold 2,100,333 shares of Mobile Ready, generating proceeds of \$69,949.69.

50. Between April and July, 2007, Mora sold 2,249,833 shares of Mobile Ready, generating proceeds of \$72,589.32.

### **COUNT I— FRAUD**

#### **Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 77j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]**

#### **(Against Mobile Ready, Magolnick and Mora)**

51. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 50 above.

52. At various times between January and July 2007 Defendants, in connection with the purchase and sale of securities described herein, by use of the means or instrumentalities of interstate commerce or by use of the mails, or of any facility of any national securities exchange, directly and indirectly:

- (a) employed devices, schemes, and 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 light of the circumstances under which they were made, not misleading; and
- (c) engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit upon other persons, as more particularly described above.

53. Defendants knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes, and artifices to defraud, made untrue statements of material facts and omitted to state material facts, and engaged in fraudulent acts, practices, and courses of business. In engaging in such conduct, Defendants acted with scienter, that is, with an intent to deceive, manipulate, or defraud or with a severe reckless disregard for the truth.

54. By reason of the foregoing, Defendants directly and indirectly violated, and unless permanently restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 77j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

**COUNT II—UNREGISTERED OFFERING OF SECURITIES**

**Violations of Sections 5(a) and 5(c) of the Securities Act**  
**[15 U.S.C. § 77e(a) and 77e(c)]**

**(Against Magolnick and Mora)**

55. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 50 above.

56. No registration statement has been filed or is in effect with the Commission pursuant to the Securities Act and no exemption from registration exists with respect to the transactions described herein.

57. Between March and July, 2007, Magolnick and Mora, singly and in concert, have:

- (a) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities, through the use or medium of a prospectus or otherwise;
- (b) carried securities or caused such securities to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or for delivery after sale; and



(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 securities, through the use or medium of any prospectus or otherwise,

without a registration statement having been filed with the Commission as to such securities.

58. By reason of the foregoing, Magolnick and Mora, directly and indirectly, singly and in concert, have violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff Commission respectfully prays for:

**I.**

Finding of Fact and Conclusions of Law pursuant to Rule 52 of the Federal Rules of Civil Procedure, finding that the Defendants named herein committed the violations alleged herein.

## **II.**

Permanent injunctions enjoining Mobile Ready, Magolnick and Mora, their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of the order of injunction, by personal service or otherwise, and each of them, from violating, directly or indirectly, Section 10(b) the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder.

## **III.**

Permanent injunctions enjoining Magolnick and Mora, their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of the order of injunction, by personal service or otherwise, and each of them, from violating, directly or indirectly, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

#### **IV.**

An order requiring Magolnick and Mora to disgorge all of the ill-gotten gains or unjust enrichment with prejudgment interest thereon, they received from their misconduct to affect the remedial purposes of the federal securities laws.

#### **V.**

An order pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Sections 21(d)(3) and 21A of the Exchange Act [15 U.S.C. §§ 78u and 78u-1] imposing civil penalties against Magolnick and Mora.

#### **VI.**

An order permanently prohibiting Magolnick and Mora from participating in any offering of penny stock pursuant to Section 20(g) of the Securities Act [15 U.S.C. § 77t(g)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].

#### **VII.**

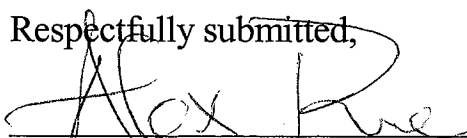
An order permanently enjoining Magolnick and Mora from acting as a director or officer of any issuer having a class of securities registered with the Commission pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or

required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

**VIII.**

Such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors.

Dated: July 11, 2008

Respectfully submitted,  


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