

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

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SECURITIES AND EXCHANGE)	
COMMISSION,)	
)	
	Plaintiff,)	Civil Action No.
)	
v.)	
)	
LOCATEPLUS HOLDINGS CORPORATION,)	JURY TRIAL DEMANDED
)	
	Defendant.)	
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COMPLAINT

Plaintiff Securities and Exchange Commission (the “Commission”) alleges the following against defendant LocatePlus Holdings Corporation (“LocatePlus”):

SUMMARY

1. LocatePlus is a Massachusetts-based company that sells personal information for investigative searches. From early 2005 through late 2007, LocatePlus engaged in securities fraud by misleading investors about its funding and revenue. Two of the officers of LocatePlus, its former CEO and CFO, abused their positions as officers of LocatePlus fraudulently to inflate the company’s publicly-reported revenue for at least its fiscal years 2005 and 2006. As part of LocatePlus’s fraud, its officers created a fictitious LocatePlus customer called “Omni Data.” LocatePlus then improperly recognized payments from Omni Data as revenue.

2. The Omni Data payments were not legitimate revenue. For example, in one “round trip” transaction, LocatePlus made a \$650,000 payment to an entity, which then transferred \$600,000 to Omni Data, and Omni Data then paid the \$600,000 back to LocatePlus as purported payment for services. In another transaction, at least \$250,000 of the proceeds of

unregistered stock sales were transferred to Omni Data, which then transferred those funds to LocatePlus, again as payment for purported services. The improper Omni Data payments were included as revenue in LocatePlus' financial statements that were part of quarterly and annual reports for fiscal years 2005 and 2006 and were filed with the Commission. LocatePlus's former CEO and CFO signed and certified that these false and misleading reports were accurate.

3. By engaging in the conduct alleged herein, LocatePlus violated Section 17(a) of the Securities Act of 1933 ("Securities Act") and Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934 ("Exchange Act") and Rules 10b-5, 12b-20, 13a-1, 13a-11 and 13a-13 thereunder.

4. Based on these violations, the Commission seeks the following relief against LocatePlus: (i) entry of a permanent injunction prohibiting it from engaging in future violations of the sections of the securities laws that it has violated in connection with the conduct described herein; (ii) an order requiring it to disgorge its ill-gotten gains and pay pre-judgment interest; and (iii) an order requiring it to pay appropriate civil monetary penalties.

JURISDICTION AND VENUE

5. The Commission brings this action pursuant to the enforcement authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. §77t(b)] and Sections 21(d) and 21A of the Exchange Act [15 U.S.C. §§78u(d), 78u-1]. This Court has jurisdiction over this action pursuant to 28 U.S.C. §1331, Section 22(a) of the Securities Act [15 U.S.C. §77v(a)], and Sections 21(e), 21A and 27 of the Exchange Act [15 U.S.C. §§78u(e), 78u-1 and 78aa].

6. Venue is proper in this district pursuant to 28 U.S.C. §1391(b)(2), Section 22(a) of the Securities Act [15 U.S.C. §77v(a)], and Section 27 of the Exchange Act [15 U.S.C. §78aa]

because a substantial part of the acts constituting the alleged violations occurred in the District of Massachusetts.

7. In connection with the conduct alleged in this Complaint, LocatePlus directly or indirectly made use of the means or instruments of transportation or communication in interstate commerce, the facilities of a national securities exchange, or the mails.

8. Unless enjoined, LocatePlus will continue to engage in the securities law violations alleged herein, or in similar conduct that would violate the federal securities laws.

DEFENDANT

9. LocatePlus Holdings Corporation is a Delaware corporation with a primary place of business at 100 Cummings Center, Suite 235M, Beverly, Massachusetts, 01915. LocatePlus is engaged in the business of providing online access to public record databases for investigative searches. LocatePlus' stock is registered pursuant to Section 12(g) of the Exchange Act and is currently quoted in the Pink Sheets operated by Pink OTC Markets, Inc. ("Pink Sheets").

FACTUAL ALLEGATIONS

A. The Creation of Omni Data And Its Payments To LocatePlus

10. In 2005, the former CEO and CFO of LocatePlus created a sham LocatePlus customer, Omni Data Services, Inc. ("Omni Data") to buy purported services from LocatePlus and to make purported payments to LocatePlus.

11. In fact, LocatePlus derived no legitimate revenue whatsoever from Omni Data, which – as its former CEO and CFO well knew – was merely a sham company.

12. To fund the purported payments from Omni Data to LocatePlus, and thus create the false impression that Omni Data was a revenue source for Locate Plus, its former CEO and CFO funneled approximately \$2 million in cash to Omni Data through a series of transactions.

13. The first in the series of transactions was a “round trip” transaction in which LocatePlus made a \$650,000 payment to a trust called the “Winn Family Trust,” which then transferred \$600,000 to Omni Data. Omni Data then paid LocatePlus \$600,000 for services that it did not use.

14. Another transaction in the series involved the receipt by an entity (called the “Carjon Trust”) of at least \$250,000 of the proceeds from unregistered sales of stock in another company controlled by LocatePlus’s former CEO and CFO. The Carjon Trust transferred that \$250,000 to Omni Data, and then Omni Data paid it to LocatePlus, again as payment for purported services.

15. In total, LocatePlus’s former CEO and CFO directed approximately \$2 million in cash to Omni Data and Omni Data made approximately \$2 million in payments to LocatePlus, which recognized those payments as revenue.

16. The Omni Data revenue should not have been recognized because the contract between LocatePlus and Omni Data was not legitimate and because the payments from Omni Data did not reflect payment for any products or services delivered by LocatePlus to Omni Data.

B. LocatePlus’ Misleading Statements About The Omni Data Payments

17. LocatePlus recorded payments from Omni Data as revenue in its financial statements. LocatePlus’ misleading financial statements were described in press releases and were included in periodic filings with the Commission.

18. For example, on November 16, 2005, LocatePlus issued a press release with its results for the quarter ended September 30, 2005. The release reported record revenues of \$3,005,960. In the release, LocatePlus’ former CEO attributed LocatePlus’ “triple-digit revenue growth” to the Omni Data relationship.

19. LocatePlus also made false statements about its revenue in a number of periodic filings with the Commission. Those filings included the following: (1) the Forms 8-K and 8-K/A filed on September 26, and October 17, 2005; (2) the Forms 10-KSB filed on May 11, 2006 for fiscal year 2005 and on May 2, 2007 for fiscal year 2006; and (3) the Forms 10-QSB and 10-QSB/A filed on October 24, 2005, November 14, 2005, May 30, 2006, August 16, 2006, and November 15, 2006 (collectively, the “Fraudulent SEC Filings”).

20. On September 26, 2005, LocatePlus filed a Form 8-K with the Commission reporting its entry into a definitive material agreement with Omni Data and describing the agreement as a “definitive channel partner agreement with total contract value of \$7.2 million.” The Form 8-K was signed by LocatePlus’ former CEO. A copy of the purported agreement dated January 5, 2005 was attached to the filing as an exhibit. On October 17, 2005, LocatePlus filed a Form 8-K/A with the Commission (again signed by its former CEO) with another copy of the purported agreement.

21. LocatePlus’ former CEO knew that the 8-K and 8-K/A were false because Omni Data was a sham.

22. The Fraudulent SEC Filings materially misstated LocatePlus’ revenue and contained knowing material misrepresentations about its business relationship with Omni Data. Among other things, for fiscal years 2005 and 2006, the Fraudulent SEC Filings reflected LocatePlus’s improper recognition of revenue from Omni Data in the amounts of \$3.6 million and \$2.7 million, respectively. In addition, the Fraudulent SEC Filings made the following specific material misrepresentations:

- a. Locate Plus’ 10QSB/A statement covering the first quarter of Fiscal Year 2005, which was filed on October 24, 2005, stated that revenue from channel partners

“increased to \$695,790 from \$127,381, an increase of 446%[.]” That statement is misleading because a significant portion of that revenue total was fictitious Omni Data revenue. Moreover, the 10QSB/A failed to list the Omni Data contract as a “related party transaction,” which was a material omission in light of the direct role of LocatePlus’ former CFO in funding Omni Data.

- b. Locate Plus’ 10QSB/A statement covering the second quarter of Fiscal Year 2005, which was also filed on October 24, 2005, stated that revenue from channel partners “increased to \$1,162,813 from \$248,817, an increase of 367%[.]” That statement is misleading because a significant portion of that revenue total was fictitious Omni Data revenue. Moreover, the 10QSB/A failed to list the Omni Data contract as a “related party transaction,” which was a material omission in light of the direct role of LocatePlus’ former CFO in funding Omni Data.
- c. Locate Plus’ 10QSB/A statement covering the third quarter of Fiscal Year 2005, which was filed on November 14, 2005, stated that revenue from channel partners “increased to \$1,162,813 from \$197,958, an increase of 532%[.]” That statement is misleading because a significant portion of that revenue total was fictitious Omni Data revenue. Moreover, the 10QSB/A failed to list the Omni Data contract as a “related party transaction,” which was a material omission in light of the direct role of LocatePlus’ former CFO in funding Omni Data.
- d. Locate Plus’ 10KSB statement covering Fiscal Year 2005, which was filed on May 11, 2006, stated that revenue from channel partners “increased to \$4,358,038 for the year ended December 31, 2005 as compared to \$1,028,650 for the [prior fiscal year] – an increase of 324%[.]” That statement is misleading because a

significant portion of that revenue total was fictitious Omni Data revenue.

Moreover, the 10KSB failed to list the Omni Data contract as a “related party transaction,” which was a material omission in light of the direct role of LocatePlus’ former CFO in funding Omni Data.

- e. Locate Plus’ 10QSB statement covering the first quarter of Fiscal Year 2006, which was filed on May 30, 2006, stated that revenue from channel partners “increased to \$1,344,063 from \$695,790, an increase of 93%[.]” That statement is misleading because a significant portion of that revenue total was fictitious Omni Data revenue. Moreover, the May 30, 2006 10QSB failed to list the Omni Data contract as a “related party transaction,” which was a material omission in light of the direct role of LocatePlus’ former CFO in funding Omni Data.
- f. Locate Plus’ 10QSB statement covering the second quarter of Fiscal Year 2006, which was filed on August 16, 2006, stated that revenue from channel partners “increased to \$1,618,637 from \$1,162,637, an increase of 39%[.]” That statement is misleading because a significant portion of that revenue total was fictitious Omni Data revenue. Moreover, the August 16, 2006 10QSB failed to list the Omni Data contract as a “related party transaction,” which was a material omission in light of the direct role of LocatePlus’ former CFO in funding Omni Data.
- g. Locate Plus’ 10QSB statement covering the third quarter of Fiscal Year 2006, which was filed on November 15, 2006, stated that revenue from channel partners “increased to \$1,690,754 from \$1,251,300, an increase of 35%[.]” That statement is misleading because a significant portion of that revenue total was fictitious

Omni Data revenue. Moreover, the November 15, 2006 10QSB failed to list the Omni Data contract as a “related party transaction,” which was a material omission in light of the direct role of LocatePlus’ former CFO in funding Omni Data.

- h. Locate Plus’ 10KSB statement covering Fiscal Year 2006, which was filed on May 2, 2007, stated that revenue from channel partners “increased to \$5,471,120 for the year ended December 31, 2006 as compared to \$4,358,038 for the [prior fiscal year] – an increase of 25%.” That statement is misleading because a significant portion of that revenue total was fictitious Omni Data revenue. Moreover, the 10KSB failed to list the Omni Data contract as a “related party transaction,” which was a material omission in light of the direct role of LocatePlus’ former CFO in funding Omni Data.

23. Exchange Act Rule 13a-14 requires principal executive and principal financial officers to certify that: (1) Forms 10-K and 10-Q, to the best of their knowledge, include no material misstatements, and omit no material information, and (2) they had disclosed all instances of fraud involving management or others with responsibility over internal accounting controls to the company’s audit committee and auditors.

24. LocatePlus’ former CEO and CFO signed false certifications that were attached to all of the Fraudulent SEC Filings, with the exception of the Form 10KSB filed on May 2, 2007, which was signed only by the former CFO.

25. At the time they signed these certifications, the former CEO and CFO knew that the filings to which the certifications were attached contained material misstatements and omissions concerning the nature of the payments that LocatePlus received from Omni Data and

LocatePlus' improper recognition of revenue from Omni Data. The former CEO and CFO also knew, at the time they signed these certifications, that they had not disclosed the fictitious customer relationship between LocatePlus and Omni Data, and LocatePlus' improper recognition of revenue from Omni Data, to either LocatePlus' audit committee or auditors.

26. The effect of the Omni Data revenue on LocatePlus' reported results, including its reported channel segment revenue, was material: in Fiscal Year 2005, the Omni Data revenue represented approximately 31% of LocatePlus' total reported revenue, and approximately 72% of LocatePlus' channel segment revenue. The impact of the Omni Data revenue was also substantial in Fiscal Year 2006, when it represented 22% of LocatePlus' total reported revenue, and 49% of its channel segment revenue.

27. In or about June 2007, LocatePlus wrote off the portion of the receivable booked as due from Omni Data that was not collected. The remaining Omni Data revenue recognized primarily in 2005 and 2006 is included in the company's current accumulated deficits.

28. In total, LocatePlus falsely reported more than \$6 million in revenue from Omni Data for fiscal years 2005 and 2006 – i.e., over 25% of LocatePlus' total revenue for those two years.

29. As of October 13, 2010, LocatePlus had not disclosed to its investors, in required SEC filings or otherwise, the fraudulent nature of the Omni Data revenue.

First Claim for Relief
(Violation of Section 17(a) of Securities Act)

30. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 29 above as if set forth fully herein.

31. LocatePlus, directly or indirectly, acting intentionally, knowingly or recklessly, by use of the means or instruments of transportation or communication in interstate commerce or

by the use of the mails, in the offer or sale of securities: (a) employed devices, schemes, or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omissions to state a material fact necessary to make the statements not misleading; or (c) engaged in transactions, practices, or courses of business which operated as a fraud or deceit upon the purchasers of such securities.

32. By engaging in the conduct described above, LocatePlus has violated, and unless enjoined will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

Second Claim for Relief
(Violation of Section 10(b) of Exchange Act and Rule 10b-5)

33. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 29 above as if set forth fully herein.

34. LocatePlus, directly or indirectly, acting intentionally, knowingly or recklessly, in connection with the purchase or sale of securities, by use of the means or instrumentalities of interstate commerce or the facilities of a national securities exchange or the mail: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of material fact or omitted to state material fact(s) necessary to make the statements made not misleading; or (c) engaged in acts, practices, or courses of business which operated as a fraud or deceit upon certain persons.

35. By engaging in the conduct described above, LocatePlus has violated, and unless enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5].

Third Claim for Relief
**(Violation of Section 13(a) of Exchange Act and
Rules 12b-20, 13a-1, 13a-11 and 13a-13)**

36. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 29 above as if set forth fully herein.

37. LocatePlus' annual, quarterly and current reports to the Commission on Forms 10-KSB, 10-QSB and 10-QSB/A, and 8-K and 8-K/A covering fiscal years 2005 and 2006 materially misstated the company's revenue and contained material misrepresentations about the company's business relationship with Omni Data. Specifically, these fraudulent reports included the Forms 10-KSB filed on May 11, 2006 and May 2, 2007 for fiscal years 2005 and 2006, the Forms 10-QSB and 10-QSB/A filed on October 24, 2005, November 14, 2005, May 30, 2006, August 16, 2006, and November 15, 2006 covering the first three quarters of fiscal years 2005 and 2006, and the Forms 8-K and 8-K/A filed on September 26 and October 17, 2005.

38. LocatePlus thus failed to file with the Commission such financial reports as the Commission has prescribed, and LocatePlus failed to include, in addition to the information expressly required to be stated in such reports, such further material information as was necessary to make the statements made, in light of the circumstances in which they were made, not misleading.

39. As a result, LocatePlus has violated, and unless enjoined will continue to violate, Section 13(a) of the Exchange Act [15 U.S.C. §78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. §§240.12b-20, 240.13a-1, 240.13a-11, 240.13a-13].

Fourth Claim for Relief
(Violation of Section 13(b)(2)(A) of Exchange Act)

40. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 29 above as if set forth fully herein.

41. LocatePlus maintained false and misleading books, records and accounts which, among other things, materially overstated the company's revenue for the period from the first quarter of 2005 through the third quarter of 2006 by improperly recognizing revenue from Omni Data. Its books, records and accounts thus failed accurately and fairly to reflect the transactions

and dispositions of the assets of LocatePlus.

42. As a result, LocatePlus has violated, and unless enjoined will continue to violate, Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. §78m(b)(2)(A)].

Fifth Claim for Relief
(Violation of Section 13(b)(2)(B) of Exchange Act)

43. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 29 above as if set forth fully herein.

44. LocatePlus failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that LocatePlus' transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles.

45. As a result, LocatePlus has violated, and unless enjoined will continue to violate, Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. §78m(b)(2)(B)].

PRAYER FOR RELIEF

WHEREFORE, the Commission requests that this Court enter an order:

A. Permanently enjoining LocatePlus from violating, directly or indirectly, Section 17(a) of the Securities Act [15 U.S.C. §77q(a)] and Sections 10(b), 13(a), and 13(b)(2)(A) and (B) of the Exchange Act [15 U.S.C. §§78j(b) and 78m(a), (b)(2)(A), (b)(2)(B)] and Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13 thereunder [17 C.F.R. §§240.10b-5, 240.12b-20, 240.13a-1, 240.13a-11, 240.13a-13];

B. Requiring LocatePlus to disgorge its ill-gotten gains and losses avoided, plus pre-judgment interest, with said monies to be distributed in accordance with a plan of distribution to be ordered by the Court;

C. Requiring LocatePlus to pay appropriate civil monetary penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. §77t(d)] and Section 21(d)(3) of the Securities Exchange Act [15 U.S.C. §78u(d)(3)];

D. Retaining jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered; and

E. Granting such other and further relief as the Court deems just and proper.

JURY DEMAND

The Commission hereby demands a trial by jury on all claims so triable.

Respectfully submitted,

SECURITIES AND EXCHANGE COMMISSION

By its attorneys,

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