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UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

CV 10-6794 DSF (JEMx)  
No.

\_\_\_\_\_ Individually and on  
Behalf of All Others Similarly Situated,

Plaintiff,

v.

SEARCHMEDIA HOLDINGS LIMITED,  
f/k/a IDEATION ACQUISITION CORP.,  
ROBERT N. FRIED, PHILLIP FROST,  
RAO UPPALURI, STEVEN D. RUBIN,  
GLENN HALPRYN, THOMAS E. BEIER,  
DAVID H. MOSKOWITZ, SHAWN  
GOLD, GARBO LEE, PAUL CONWAY,  
QINYING LIU, EARL YEN, and  
JENNIFER HUANG,

Defendants.

)  
) CLASS ACTION  
)  
) **COMPLAINT FOR**  
) **VIOLATIONS OF THE**  
) **FEDERAL SECURITIES**  
) **LAWS**  
)  
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) DEMAND FOR JURY TRIAL  
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Plaintiff [REDACTED] by and through his attorneys, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff's information and belief is based upon, among other things, his counsel's investigation, which includes without limitation: (a) review and analysis of regulatory filings made by SearchMedia Holdings Limited, formerly Ideation Acquisition Corp. ("SearchMedia" or "Ideation" or the "Company"), with the United States Securities and Exchange Commission ("SEC"); (b) review and analysis of press releases and media reports issued by and disseminated by SearchMedia; and (c) review of other publicly available information concerning SearchMedia.

**NATURE OF THE ACTION AND OVERVIEW**

1. This is a class action on behalf of persons or entities who purchased or otherwise acquired SearchMedia (formerly Ideation) securities between April 1, 2009, and August 20, 2010, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

2. Ideation was a blank check company organized under the laws of the State of Delaware on June 1, 2007, and formed for the purpose of acquiring, through a merger, capital stock exchange, asset acquisition or other similar business combination, one or more businesses. On November 26, 2007, Ideation completed its initial public offering ("IPO") of 10,000,000 units, with each unit consisting of one

1 share of common stock and one warrant exercisable for an additional share of  
2 common stock, at a price of \$8.00 per unit. Under Ideation's amended and restated  
3 certificate of incorporation, Ideation would continue in existence only until  
4 November 19, 2009. If Ideation had not completed a business combination by such  
5 date, its corporate existence would cease, except for the purposes of winding up its  
6 affairs and liquidating, pursuant to Section 278 of the Delaware General Corporation  
7 Law.  
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10  
11 3. This action concerns Ideation's combination with SearchMedia  
12 International Limited ("SMIL") which was completed on October 30, 2009 (the  
13 "Merger"), and arises from material misstatements and/or omissions in the joint proxy  
14 statement and prospectus (the "Proxy/Prospectus") dated October 5, 2009, and other  
15 public statements during the Class Period related to the Merger and SMIL.  
16

17  
18 4. At the start of the Class Period, on April 1, 2009, Ideation announced  
19 that it had signed a definitive agreement to acquire SMIL, a purported nationwide  
20 multi-platform media company in China. SMIL claims to be an integrated operator  
21 of outdoor billboard and in-elevator advertising networks in China.  
22

23 5. According to the April 1, 2009, announcement, Ideation and SMIL  
24 entered into an agreement and plan of merger, conversion and share exchange ("Share  
25 Exchange Agreement"). Pursuant to the Share Exchange Agreement, following  
26

1 receipt of stockholder approval by Ideation, Ideation would complete a corporate  
2 reorganization (pursuant to which Ideation would merge with and into ID Arizona  
3 Corp. ("ID Arizona") with ID Arizona surviving the merger and ID Arizona  
4 becoming a Cayman Islands exempted corporation) that would result in a  
5 redomestication of Ideation into a Cayman Islands exempted company ("Ideation  
6 Cayman"), after which the holders of SMIL's shares, warrants, options and restricted  
7 shares would exchange the outstanding securities of SMIL held by them for ordinary  
8 shares, warrants, options and restricted shares, respectively, of Ideation Cayman.  
9  
10 Under the terms of the Share Exchange Agreement, Ideation announced that it would  
11 issue to SMIL shareholders 8,578,215 million ordinary Ideation Cayman shares,  
12 representing approximately 41% of the ordinary shares of the combined company, in  
13 exchange for all outstanding SMIL common shares. On a fully diluted basis, SMIL  
14 would own 44% of the combined company. Additionally, SMIL warrants, options and  
15 restricted shares would be exchanged for new Ideation Cayman warrants, options and  
16 restricted shares. Based on Ideation common shares, warrants and options on a  
17 treasury method basis, and a conversion value of \$7.8815 per share, the equity value  
18 of the transaction at closing was approximately \$176.7 million.

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25 6. On November 2, 2009, Ideation announced that it had completed the  
26 acquisition of SMIL. Ideation further announced that the transaction had been

1 approved by the stockholders of Ideation at a special meeting of stockholders on  
2 October 27, 2009, and consummated on October 30, 2009. Ideation also announced  
3 that it had changed its name to SearchMedia Holdings Limited ("SearchMedia").  
4

5 7. On August 20, 2010, SearchMedia announced that the historical  
6 financial statements of SMIL for the 2007 and 2008 fiscal years would have to be  
7 restated and that the financial statements from these periods can no longer be relied  
8 upon. SearchMedia informed investors that it estimated that SMIL's revenue in 2007  
9 and 2008 had been overstated by approximately \$6 million and \$25 million,  
10 respectively.  
11  
12

13 8. On this news, SearchMedia's stock fell \$0.78 per share, or nearly 23%,  
14 to close on August 20, 2010, at \$2.62 per share on unusually heavy trading volume,  
15 and further declined an additional \$0.92 per share, more than 35%, to close on August  
16 23, 2010, at \$1.70 per share, again on unusually heavy trading volume. Over the  
17 course of these two days of trading, SearchMedia's stock declined a combined \$1.70  
18 per share, or 50%, from the closing price of \$3.40 per share on August 19, 2010.  
19  
20

21 9. Throughout the Class Period, Defendants made false and/or misleading  
22 statements, and failed to disclose material adverse facts about SearchMedia's  
23 business, operations, and prospects. Specifically, Defendants made false and/or  
24 misleading statements and/or failed to disclose: (1) that SMIL was improperly  
25  
26

1 recognizing revenue; (2) that certain of SMIL's accounts receivable related to sales  
2 generated primarily in the in-elevator business were uncollectible, (3) that, as a result,  
3 SMIL's financial results were overstated; (4) that SMIL's financial results were not  
4 prepared in accordance with Generally Accepted Accounting Principles ("GAAP");  
5 (5) that SMIL lacked adequate internal and financial controls; and (6) as a result of  
6 the above, SMIL's financial statements were materially false and misleading at all  
7 relevant times.  
8  
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10  
11 10. As a result of Defendants' wrongful acts and omissions, and the  
12 precipitous decline in the market value of the Company's securities, Plaintiff and  
13 other Class members have suffered significant losses and damages.  
14

### 15 JURISDICTION AND VENUE

16 11. The claims asserted herein arise under Sections 10(b) and 20(a) of the  
17 Exchange Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 promulgated  
18 thereunder by the SEC (17 C.F.R. § 240.10b-5).  
19

20 12. This Court has jurisdiction over the subject matter of this action  
21 pursuant to 28 U.S.C. §1331 and Section 27 of the Exchange Act (15 U.S.C. §78aa).  
22

23 13. Venue is proper in this Judicial District pursuant to §28 U.S.C.  
24 §1391(b), §27 of the Exchange Act (15 U.S.C. §78aa(c)). Many of the acts charged  
25 herein, including the preparation and dissemination of materially false and/or  
26

1 misleading information, occurred in substantial part in this District. Additionally, at  
2 times relevant hereto, Ideation maintained executive offices within this Judicial  
3 District.  
4

5 14. In connection with the acts, transactions, and conduct alleged herein,  
6 Defendants directly and indirectly used the means and instrumentalities of interstate  
7 commerce, including the United States mail, interstate telephone communications,  
8 and the facilities of a national securities exchange.  
9

10  
11 **PARTIES**

12 15. Plaintiff [REDACTED] as set forth in the accompanying certification,  
13 incorporated by reference herein, purchased SearchMedia securities during the Class  
14 Period and suffered damages as a result of the federal securities law violations and  
15 false and/or misleading statements and/or material omissions alleged herein.  
16

17  
18 16. Defendant SearchMedia, formerly Ideation, is a Cayman Islands  
19 corporation with its principle executive offices located at 15A Zhao Feng Universe  
20 Building, 1800 Shong Shan Xi Road, Shanghai, China 200235. Additionally, at times  
21 relevant hereto, Ideation maintained an office within this judicial district at 1990 S.  
22 Bundy Boulevard, Suite 620, Los Angeles, CA 90025.  
23

24  
25 17. Defendant Robert N. Fried ("Fried") was, at all relevant times, President,  
26 Chief Executive Officer ("CEO"), and Director of Ideation up until the Merger, and  
27

1 was, at all relevant times, Co-Chairman of SearchMedia after the Merger. Defendant  
2 Fried signed or authorized the signing of the Proxy/Prospectus.  
3

4 18. Defendant Phillip Frost ("Frost") was, at all relevant times, Chairman of  
5 the Board of Ideation up until the Merger. Defendant Frost signed or authorized the  
6 signing of the Proxy/Prospectus.  
7

8 19. Defendant Rao Uppaluri ("Uppaluri"), was at all relevant times,  
9 Treasurer, Director, and the principal financial and accounting officer of Ideation up  
10 until the Merger. Defendant Uppaluri signed or authorized the signing of the  
11 Proxy/Prospectus.  
12

13 20. Defendant Steven D. Rubin ("Rubin") was, at all relevant times,  
14 Secretary of Ideation and a Director of SearchMedia thereafter. Defendant Rubin  
15 signed or authorized the signing of the Proxy/Prospectus.  
16

17 21. Defendant Glenn Halpryn ("Halpryn") was, at all relevant times, a  
18 Director of Ideation up until the Merger and signed or authorized the signing of the  
19 Proxy/Prospectus.  
20

21 22. Defendant Thomas E. Beier ("Beier") was, at all relevant times, a  
22 Director of Ideation up until the Merger and signed or authorized the signing of the  
23 Proxy/Prospectus.  
24

25 23. Defendant David H. Moskowitz ("Moskowitz") was, at all relevant  
26

1 times, a Director of Ideation up until the Merger and signed or authorized the signing  
2 of the Proxy/Prospectus.  
3

4 24. Defendant Shawn Gold (“Gold”) was, at all relevant times, a Director of  
5 Ideation up until the Merger and signed or authorized the signing of the  
6 Proxy/Prospectus.  
7

8 25. Defendant Garbo Lee (“Lee”) was, at all relevant times, President of  
9 SearchMedia after the Merger, and was, at all relevant times, President of SMIL prior  
10 to the Merger.  
11

12 26. Defendant Paul Conway (“Conway”) was, at all relevant times since  
13 February 2010, the CEO of SearchMedia. Formerly, Defendant Conway was  
14 Managing Director of Media Investment Banking for Oppenheimer & Co.  
15

16 27. Defendant Qinying Liu (“Liu”) was, at all relevant times, Chairman of  
17 SMIL prior to the Merger, and was, at all relevant times, Co-Chairman of the Board  
18 of SearchMedia after the Merger.  
19

20 28. Defendant Earl Yen (“Yen”) was, at all relevant times, Vice Chairman  
21 of SMIL prior to the Merger, and was, at all relevant times, a Director of  
22 SearchMedia after the Merger.  
23

24 29. Defendant Jennifer Huang (“Huang”) was, at all relevant times, Chief  
25 Financial Officer (“CFO”) of SMIL between April 2008 and July 2009, and was, at  
26

1 all relevant times, Acting CFO after the Merger until on or around January 4, 2010.  
2 Additionally, Defendant Huang was, at all relevant times, Chief Operating Officer of  
3 SMIL prior to the Merger, and was, at all relevant times, COO of SearchMedia after  
4 the Merger.  
5

6  
7 30. Defendants Fried, Frost, Uppaluri, Rubin, Halpryn, Beier, Gold,  
8 Moskowitz, Lee, Conway, Liu, Yen, and Huang, are collectively referred to  
9 hereinafter as the "Individual Defendants." The Individual Defendants, because of  
10 their positions with the Company, possessed the power and authority to control the  
11 contents of SearchMedia's reports to the SEC, press releases and presentations to  
12 securities analysts, money and portfolio managers and institutional investors, *i.e.*, the  
13 market. Each defendant was provided with copies of the Company's reports and press  
14 releases alleged herein to be misleading prior to, or shortly after, their issuance and  
15 had the ability and opportunity to prevent their issuance or cause them to be  
16 corrected. Because of their positions and access to material non-public information  
17 available to them, each of these defendants knew that the adverse facts specified  
18 herein had not been disclosed to, and were being concealed from, the public, and that  
19 the positive representations which were being made were then materially false and/or  
20 misleading. The Individual Defendants are liable for the false statements pleaded  
21 herein, as those statements were each "group-published" information, the result of the  
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1 collective actions of the Individual Defendants.

2  
3 **SUBSTANTIVE ALLEGATIONS**

4 **Background**

5 31. Ideation was a blank check company organized under the laws of the  
6 State of Delaware on June 1, 2007, and was formed for the purpose of acquiring,  
7 through a merger, capital stock exchange, asset acquisition or other similar business  
8 combination, one or more businesses. On October 30, 2009, Ideation acquired SMIL  
9 and changed its name to SearchMedia.  
10  
11

12 **Materially False and Misleading**  
13 **Statements Issued During the Class Period**

14 32. The Class Period begins on April 1, 2009. On this day, Ideation issued  
15 a press release titled, "IDEATION ACQUISITION CORP. SIGNS DEFINITIVE  
16 AGREEMENT TO ACQUIRE SEARCHMEDIA INTERNATIONAL LIMITED."  
17  
18 Therein, Ideation, in relevant part, stated:

- 19
- 20 • National Coverage of 59 Cities and Leading Market Share in  
21 Chinese Advertising Industry
  - 22 • Extensive Advertising Network Across Multiple Media Platforms
  - 23 • Highly Diversified Advertising Base with Local, National and  
24 International Clients
  - 25 • Profitable and Scalable Revenue Model with Low Capex  
26 Requirements
  - 27 • Proven History of Organic and Acquisitive Growth
  - 28 • Strong Management Team

1 Los Angeles, CA — April 1, 2009 — Ideation Acquisition Corp.  
2 (“Ideation” or the “Company”) (NYSE AMEX: IDI) and SearchMedia  
3 International Limited (“SearchMedia”) announced today that they have  
4 entered into an agreement and plan of merger, conversion and share  
5 exchange (“Share Exchange Agreement”). Pursuant to the Share  
6 Exchange Agreement, following receipt of stockholder approval by  
7 Ideation, Ideation will complete a corporate reorganization that will  
8 result in a redomestication of Ideation into a Cayman Islands exempted  
9 company (“Ideation Cayman”), after which the holders of  
10 SearchMedia’s shares, warrants, options and restricted shares will  
11 exchange the outstanding securities of SearchMedia held by them for  
12 ordinary shares, warrants, options and restricted shares, respectively, of  
13 Ideation Cayman.

14  
15 Following the completion of the merger, SearchMedia’s current  
16 management team will remain in place with Crystal Liu, Garbo Lee and  
17 Jennifer Huang, the current Chairman, President and CFO of  
18 SearchMedia, respectively, slated to become the Chairman, President  
19 and CFO of the combined company.

20  
21 “SearchMedia has built a strong market position in China’s fast-growing  
22 outdoor advertising market and is well positioned to continue its  
23 impressive growth trend,” stated Dr. Phillip Frost, Chairman of Ideation  
24 Acquisition Corp.

25  
26 “Under the leadership of SearchMedia’s seasoned management team, we  
27 are confident of continued expansion of their well established position  
28 in the marketplace,” said Robert Fried, President and CEO of Ideation.  
“This is a very impressive company operating in a time-tested, proven  
space.”

#### About SearchMedia

SearchMedia is a leading nationwide multi-platform media company in  
China. It is one of the largest integrated operators of outdoor billboard  
and in-elevator advertising networks in China. SearchMedia ranked first  
in market share of in-elevator advertising displays in 13 out of the 26

1 most affluent cities in China and ranked second in an additional nine of  
 2 these cities, according to a leading international research company in  
 3 China. SearchMedia's core outdoor billboard and in-elevator portfolios  
 4 are complemented by its subway advertising platform, which together,  
 5 create an attractive multi-platform "one-stop shop" service for its local,  
 6 national and international advertising clients that numbered more than  
 7 700 cumulatively since its inception.

8 SearchMedia currently owns and operates a network of over 1,500  
 9 high-impact billboards with over 500,000 square feet of surface area and  
 10 one of China's largest networks of in-elevator advertisement panels  
 11 consisting of over 180,000 frames in 59 cities around China.  
 12 Additionally, SearchMedia operates a network of over 1,200  
 13 large-format light boxes in concourses of eight major subway lines in  
 14 Shanghai. According to the Metro Authority of Shanghai, in 2008, these  
 15 subway lines carried an aggregate average daily traffic of approximately  
 16 three million commuters.

17 "We are very excited about the combination of SearchMedia with  
 18 Ideation," said Crystal Liu, Chairman of SearchMedia. "We believe  
 19 Ideation is an ideal partner for us because of Ideation's strong capital  
 20 markets experience, media industry focus, and its management team's  
 21 successful track record in executing M&A consolidation strategies."

## 22 SearchMedia Historical and Projected Financials

23 (\$ in US millions)	2007	1H08	2008E	2009E
24 Revenue	\$ 7.8	\$ 31.3	\$ 88.2	\$ 127.8
25 EBITDA	\$ 2.9	\$ 9.5	\$ 30.2	\$ 49.0
26 GAAP Net Income (1)	\$ 1.6	\$ 4.3	\$ 15.3	\$ 29.7

27 (1) GAAP Net Income adjusted for one time charges. 2H08 Expected Annualized Net Income of \$21.9 million.

## 28 Summary of the Transaction

1  
2 Under the terms of the Share Exchange Agreement, Ideation will issue  
3 to SearchMedia shareholders 8,578,215 million ordinary Ideation  
4 Cayman shares, representing approximately 41% of the ordinary shares  
5 of the combined company, in exchange for all outstanding SearchMedia  
6 common shares. On a fully diluted basis, SearchMedia will own 44% of  
7 the combined company. Additionally, SearchMedia warrants, options  
8 and restricted shares will be exchanged for new Ideation Cayman  
9 warrants, options and restricted shares.

10 Based on Ideation common shares, warrants and options on a treasury  
11 method basis, and a conversion value of \$7.8815 per share, the equity  
12 value of the transaction at closing is approximately \$176.7 million.

13 In addition, SearchMedia shareholders and restricted holders will be  
14 entitled to receive a potential earnout payment of up to 10,150,352  
15 additional shares of common stock of Ideation Cayman as follows:

Achieved 2009 US GAAP Net Income <sup>(1)</sup>	Total Additional Ordinary Shares
Less than \$25.7 million	None
Between \$25.7 million — \$38.4 million	Between 0 and 10.2 million
Greater than \$38.4 million	10.2 million

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17  
18 (1) Adjusted for extraordinary items and other expense.

19 Additionally, to the extent SearchMedia fails to earn the maximum  
20 number of potential earn-out shares based on achieved 2009 GAAP Net  
21 Income, SearchMedia can earn the remainder of the earn-out shares, up  
22 to a total of 10,150,352 million, if SearchMedia's stock price closes  
23 above \$11.82 for 30 consecutive trading days prior to April 15, 2010.  
24 The implied transaction valuation (including the maximum potential  
25 earnout) yields an attractive 2009 P/E multiple of 6.7x on a fully diluted  
26 basis. As of March 27, 2009, the projected 2009 P/E multiples for  
27 comparable companies were between 9.7x and 14.8x with a mean  
28 multiple of 12.9x.

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The transaction is subject to customary closing conditions, completion of all necessary documentation and approval of the shareholders of Ideation Acquisition Corp.

Following the completion of the transaction, Ideation Cayman's board will consist of nine members, five designated by SearchMedia and four designated by certain shareholders of Ideation. At least three of the SearchMedia shareholder designees and two of the Ideation shareholder designees will be independent.

The Frost Group, LLC, an affiliate of Ideation, has committed up to \$18.25 million to support the transaction through open market or privately negotiated purchases of publicly held Ideation common shares.

Oppenheimer & Co. Inc. acted as exclusive financial advisor and Akerman Senterfitt acted as legal counsel to Ideation. Latham & Watkins acted as legal counsel to SearchMedia.

33. On July 15, 2009, September 10, 2009, and September 23, 2009, and September 30, 2009, the Company filed with the SEC revised versions of the Proxy/Prospectus (which had originally been filed with the SEC on March 31, 2009), which were signed by Defendants Fried, Frost, Uppaluri, Rubin, Halpryn, Beier, Moskowitz, and Gold, and which served as a proxy statement containing information for the special meeting of the Ideation stockholders relating to its proposed business combination with SMIL, and as a prospectus of ID Arizona with respect to securities to be issued to Ideation stockholders as part of that business combination. Therein, the versions of the Proxy/Prospectus filed with the SEC on July 15, 2009, September 10, 2009, and September 23, 2009, and September 30, 2009, in relevant part,

1 contained a discussion of SMIL's financial condition and results of operations, and  
2 also, in relevant part, each substantially repeated the following statements:  
3

4 Since SearchMedia entered the out-of-home advertising industry  
5 through its predecessors in 2005, it has achieved significant growth  
6 through acquisitions and organic expansion. From 2005 . . .  
7 SearchMedia expanded its network to over 175,000 poster frames and  
8 over 500,000 square feet of billboard space. *SearchMedia's revenues,*  
9 *operating income and net income were \$7.8 million, \$2.2 million and*  
10 *\$1.2 million, respectively, for the period from its inception on*  
11 *February 9, 2007 to December 31, 2007, or the 2007 period, and \$88.6*  
12 *million, \$22.8 million and \$4.3 million, respectively, for the year*  
13 *ended December 31, 2008.*

14 \* \* \*

15 **Revenues**

16 SearchMedia derives its revenues from providing advertising services.  
17 *During the period from the date of its inception on February 9, 2007*  
18 *to December 31, 2007, or the 2007 period, and the year ended*  
19 *December 31, 2008, SearchMedia generated revenues of \$7.8 million*  
20 *and \$88.6 million, respectively.* For the 2007 period, SearchMedia's  
21 revenues equal the revenues recognized from June 4, 2007, the date on  
22 which the financial statements of SearchMedia's variable interest  
23 entities were initially consolidated, to December 31, 2007.

24 SearchMedia generates its revenues from providing advertising services  
25 over its network that consists primarily of the following platforms:

- 26 • *Outdoor billboard platform.* SearchMedia typically signs  
27 advertising contracts with terms ranging from six to 24  
28 months for billboard advertisements. Each contract will  
specify the billboard location, measurement and the price.  
The contract price varies substantially from contract to  
contract, based on the location and measurement of the

1 billboard. Deposits or progress payments are typically  
2 required at various stages of the contract performance, such  
3 as signing of contract, confirmation of content and  
4 completion of service period.

5 • ***In-elevator platform.*** SearchMedia typically signs  
6 ***advertising contracts with terms ranging from one to six***  
7 ***months for in-elevator advertisements. Typically,***  
8 ***SearchMedia negotiates for a contract price for covering***  
9 ***a set of cities or districts within cities. SearchMedia may***  
10 ***sometimes help certain clients design a detailed plan,***  
11 ***based on the contract price and targeted demographics,***  
12 ***with particular buildings where the advertisements will be***  
13 ***displayed within the cities or districts specified under the***  
14 ***contract. Progress payments are typically required at***  
15 ***various stages of the contract performance.***

16 • ***Subway advertising platform.*** SearchMedia typically signs  
17 advertising contracts with terms ranging from one to three  
18 months for subway advertisements. The price typically  
19 consists of advertising fees and production fees for subway  
20 advertisements. Typically, the contracts specify a certain  
21 combination of subway stations and SearchMedia has the  
22 discretion to assign specific light boxes for each contract.  
23 Service payments are typically required at pre-specified  
24 dates prior to the completion of the contract.

25 SearchMedia recognizes advertising service revenues on a straight-line  
26 basis over the period in which the advertisement is required to be  
27 displayed, starting from the date SearchMedia first displays the  
28 advertisement. ***SearchMedia only recognizes revenue if the***  
***collectibility of the service fee is probable.*** The amount of advertising  
service revenues recognized is net of business taxes and surcharges  
ranging between 5% and 9%.

Revenue from the provision of advertising services includes revenue  
from barter transactions, which represents exchange of SearchMedia's

1 advertising services for goods, non-advertising services or dissimilar  
2 advertising services provided by third parties. Dissimilar advertising  
3 services represent placing advertisements on other media such as  
4 television channels, newspapers or magazines for SearchMedia.  
5 Revenues and expenses are recognized from an advertising barter  
6 transaction only if the fair value of the advertising surrendered in the  
7 transaction is determinable. If the fair value of the advertising  
8 surrendered in the barter transaction is not determinable, the barter  
9 transaction is recorded based on the carrying amount of the advertising  
surrendered, which is generally nil. For the 2007 period and the year  
ended December 31, 2008, revenue recognized from barter transactions  
amounted to \$563,000 and \$2.7 million respectively.

10 SearchMedia's revenue generation is affected by the number of  
11 advertising contracts it enters into with clients and the average revenues  
12 per contract.

13 (Emphasis added).

14 34. On October 5, 2009, the Company filed the final Proxy/Prospectus with  
15 the SEC. The Proxy/Prospectus, in relevant part, substantially repeated the  
16 statements contained in ¶33, *supra*.

18 35. On October 27, 2009, Ideation issued a press release entitled, "Ideation  
19 Acquisition Corporation Stockholders Approve Acquisition of SearchMedia  
20 International Ltd." Therein, the Company, in relevant part, stated:

22 Wilmington, Delaware – October 27, 2009 – Ideation Acquisition Corp.  
23 ("Ideation" or the "Company") (NYSE Amex: IDI, IDI.U, IDI.WS)  
24 announced that its stockholders have approved all proposals related to  
25 the acquisition of SearchMedia International Ltd. ("SearchMedia") at its  
26 special meeting of stockholders held today. Shareholders representing  
82.9% of the outstanding shares voted to approve the business

1 combination with SearchMedia and shareholders representing fewer  
2 than 0.4% of shares issued in Ideation's initial public offering elected to  
3 convert their shares to cash. The transaction is expected to close on or  
4 about October 30, 2009, subject to the satisfaction or waiver of all  
5 closing conditions. Upon completion of the acquisition, Ideation will  
6 change its name to SearchMedia Holdings Limited and its common  
7 stock, units and warrants will continue to trade on the NYSE Amex  
8 under the ticker symbols IDI, IDI.U, and IDI.WS, respectively.

9 "We are very pleased our stockholders have approved the transaction  
10 with SearchMedia," stated Robert Fried, President and CEO of Ideation.  
11 "We look forward to partnering with SearchMedia's management team,  
12 as it executes its aggressive growth strategy and leverages its  
13 competitive strengths in the highly attractive outdoor advertising market  
14 in China."

15 "This business combination is a very important milestone for our  
16 Company," stated Garbo Lee, President of SearchMedia. "The capital  
17 and enhanced management resources from this business combination,  
18 along with a U.S. stock market listing, will strengthen our position in the  
19 marketplace and enable us to further pursue our strategic growth plans."

20 36. On November 2, 2009, Ideation issued a press release entitled, "Ideation  
21 Acquisition Corporation Announces Completion of Acquisition of SearchMedia  
22 International Ltd." Therein, the Company, in relevant part, stated:

23 WILMINGTON, DE—(Marketwire — 11/02/09) — Ideation  
24 Acquisition Corp. ("Ideation") (AMEX:IDI - News) (AMEX:IDI.U —  
25 News) (AMEX:IDI.WS — News) announced that it has completed the  
26 acquisition of SearchMedia International Ltd. The transaction was  
27 approved by the stockholders of Ideation at its special meeting on  
28 October 27, 2009 and was consummated on October 30, 2009. Ideation  
has changed its name to SearchMedia Holdings Limited  
("SearchMedia") and its common stock, units and warrants continue to  
trade on the NYSE Amex under the ticker symbols: IDI, IDI.U, and

1 IDI.WS, respectively. SearchMedia also announced that Robert Fried,  
2 former President and CEO of Ideation, has been named Co-Chairman of  
3 the Board of Directors of SearchMedia.

4 “We are very proud to announce the completion of this strategic and  
5 very successful transaction with Ideation,” stated Garbo Lee, President  
6 of SearchMedia. “We look forward to utilizing the capital from this  
7 transaction to execute our growth plans and to solidify our position as  
8 a leading nationwide multi-platform media company in China.”

9 37. On November 5, 2009, SearchMedia filed with the SEC a Current Report  
10 on Form 8-K, which was signed by Defendants Liu, Yen, Lee, and Huang. Therein,  
11 the Company, in relevant part, stated:

12 *Revenues. Revenues increased from \$31.3 million for the six-month*  
13 *period ended June 30, 2008 to \$44.9 million for six-month period*  
14 *ended June 30, 2009, primarily due to rapid organic growth and*  
15 *acquisitions. Of this \$13.6 million increase in revenues, the majority*  
16 *was attributable to the acquisitions and the increased number of*  
17 *contracts entered into with clients. The total number of sales contracts*  
18 *increased from 600 for the six-month period ended June 30, 2008 to 944*  
19 *for the six-month period ended June 30, 2009. As a result of the*  
20 *challenging business environment and the market downturn during the*  
*period, however, the average revenues per contract decreased from*  
*\$52,000 for the six-month period ended June 30, 2008 to \$47,000 for the*  
*six-month period ended June 30, 2009.*

21 (Emphasis added).

22 38. The statements contained in ¶¶32-37 were materially false and/or  
23 misleading when made because defendants failed to disclose or indicate the  
24 following: (1) that SMIL was improperly recognizing revenue; (2) that certain of  
25  
26  
27

1 SMIL's accounts receivable related to sales generated primarily in the in-elevator  
2 business were uncollectible, (3) that, as a result, SMIL's financial results were  
3 overstated; (4) that SMIL's financial results were not prepared in accordance with  
4 GAAP; (5) that SMIL lacked adequate internal and financial controls; and (6) as a  
5 result of the above, SMIL's financial statements were materially false and misleading  
6  
7  
8 at all relevant times.

9 **The Truth Begins To Emerge**

10  
11 39. On December 23, 2009, SearchMedia issued a press release entitled,  
12 "SearchMedia Holdings Limited Announces Third Quarter 2009 Results." Therein,  
13 the Company, in relevant part, stated:

14  
15 Reports Third Quarter 2009 Revenue of \$23.1 Million; Third Quarter  
16 2009 Adjusted Net Income Increased 10% Sequentially to \$6.8 Million

17 SHANGHAI, CHINA -- (Marketwire) -- 12/23/09 -- SearchMedia  
18 Holdings Limited ("SearchMedia" or the "Company") (NYSE Amex:  
19 IDI) (NYSE Amex: IDI.WS), (formerly Ideation Acquisition Corp.), one  
20 of China's leading nationwide multi-platform media companies, today  
21 announced financial results for its SearchMedia International Ltd.  
22 subsidiary for the third quarter ended September 30, 2009. The  
23 Company has included and refers below solely to the operating  
24 performance of SearchMedia International Ltd. on a stand-alone basis  
(excluding the combination with Ideation Acquisition Corp.) for the  
25 third quarter of 2009, as this is the clearest comparison of the underlying  
26 operations year over year.

27  
28 Third Quarter 2009 Highlights

- 1 -- Total revenue in the third quarter of 2009 was \$23.1 million  
2 representing a slight decrease of 2.1%, compared to \$23.6 million  
3 from the second quarter of 2009.
- 4 -- Gross profit in the third quarter of 2009 was \$11.0 million,  
5 representing an increase of 9.0% from \$10.1 million in the second  
6 quarter of 2009.
- 7 -- Adjusted net income, excluding share-based compensation  
8 expenses, non-recurring interest expense incurred prior to the  
9 conversion of certain promissory notes and changes in fair value  
10 of warrant liabilities, legal and other professional services  
11 expenses related to the Ideation transaction and amortization of  
12 intangible assets (non-GAAP), was \$6.8 million in the third  
13 quarter of 2009, representing an increase of 10.0% from adjusted  
14 net income of \$6.2 million in the second quarter of 2009.
- 15 -- On October 30, 2009, SearchMedia completed its merger with  
16 Ideation Acquisition Corp. ("Ideation"). The transaction closed  
17 with over 99.6% of Ideation shareholders electing to maintain  
18 their investment in the newly combined company, with \$78.5  
19 million of proceeds being retained in the merged company.

20 Ms. Garbo Lee, SearchMedia's President, stated, "Despite the continued  
21 challenging advertising market in the third quarter of 2009, we were  
22 able to achieve net revenue of \$23.1 million and our adjusted net income  
23 increased to \$6.8 million. Our third quarter results demonstrate our  
24 ability to implement cost savings and find efficiencies in our business  
25 in order to improve our margins and increase our profitability. Our  
26 traditional outdoor billboard business remains stable and continues to  
27 possess a high level of occupancy, exceeding 90% during the quarter. In  
28 addition, we continue to see improvement in our subway operations as  
we have been able to increase occupancy and implement cost controls.  
*In order to address the weakness in our in-elevator business, we have  
been focusing on higher-quality locations and have terminated many  
of the underperforming elevator sites in our network, resulting in a  
smaller but, we believe, superior elevator network. Furthermore, we*

1        *are focused on enhancing the performance and integration of our*  
2        *elevator platform in order to achieve closer integration of our*  
3        *advertising sales and media site selection activities, which we believe*  
4        *will result in higher occupancy rates and improved profitability in the*  
5        *future."*

6        Third Quarter 2009 Results

7        SearchMedia's total revenue was \$23.1 million in the third quarter of  
8        2009, a decrease of 12.8% compared to \$26.5 million in the third quarter  
9        of 2008 and a decrease of 2.1% from \$23.6 million in the second quarter  
10       of 2009. *The slight sequential decrease and decrease from the*  
11       *year-ago quarter were due to a decline in the elevator business,*  
12       *partially offset by increases in the billboard and subway businesses.*  
13       SearchMedia continues to focus its efforts on cross-selling amongst its  
14       three media platforms. In the third quarter of 2009, the Company had  
15       successful multi-media campaigns with advertisers in the consumer  
16       goods, automotive, and banking and insurance industries.

17       Cost of revenue was \$12.1 million in the third quarter of 2009,  
18       representing 52.4% of revenue, compared to \$15.4 million, representing  
19       58.1% of revenue in the third quarter of 2008, and \$13.5 million,  
20       representing 57.2% of total revenue in the second quarter of 2009. The  
21       decrease in media cost was primarily due to the reduction in the  
22       Company's in-elevator network in order to focus on more profitable  
23       locations.

24       Gross profit in the third quarter of 2009 was \$11.0 million,  
25       approximately equal to the third quarter of 2008, and an increase of  
26       9.0% from \$10.1 million in the second quarter of 2009. Gross margin  
27       was 47.6% in the third quarter of 2009, up significantly compared to  
28       41.9% in the third quarter of 2008 and 42.8% in the second quarter of  
29       2009. The year-over-year increase in gross margin was primarily due to  
30       improvements in the Company's in-elevator network as it focused on  
31       more profitable locations.

32       Selling and marketing expenses were \$1.3 million in the third quarter of

1 2009, representing a decrease of 42.9% compared to \$2.2 million in the  
2 third quarter of 2008, and a decrease of 9.7% compared to \$1.4 million  
3 in the second quarter of 2009. Selling and marketing expenses  
4 represented 5.4% of revenue in the third quarter of 2009 compared to  
5 8.3% in the third quarter of 2008 and 5.9% in the second quarter of  
6 2009. The year-over-year and sequential decrease was primarily due to  
7 tighter budget control on promotion activities and commission expenses  
8 in addition to rationalizing our sales and media development staff in  
9 mid-2009. This rationalization continued through the third quarter of  
10 2009.

11 General and administrative expenses were \$3.0 million in the third  
12 quarter of 2009, representing an increase of 31.6% compared to \$2.3  
13 million in the third quarter of 2008, and an increase of 67.8% compared  
14 to \$1.8 million in the second quarter of 2009. The increase was mainly  
15 due to \$1.0 million in legal and other professional services expenses  
16 related to the Ideation transaction accrued in the third quarter of 2009.  
17 General and administrative expenses excluding the aforementioned  
18 charges were \$2.0 million, representing a decrease of 12.4% compared  
19 to \$2.3 million in the third quarter of 2008. The year-over-year decline  
20 was attributable to a reduced headcount and tighter expense control.

21 Operating profit was \$6.7 million in the third quarter of 2009,  
22 representing an increase of 2.0% from \$6.6 million in the third quarter  
23 of 2008, and a slight decrease of 2.4% from \$6.9 million in the second  
24 quarter of 2009. Operating profit margin was 29.2% in the third quarter  
25 of 2009, approximately equal to the second quarter of 2009 and higher  
26 than 25.0% in the third quarter of 2008 due to the aforementioned cost  
27 controls and improved efficiencies in the Company's media network.

28 Interest expense was \$0.6 million in the third quarter of 2009, a decrease  
of 88.9% compared to \$5.7 million in the third quarter of 2008 and  
relatively unchanged from the second quarter of 2009. The  
year-over-year decrease was primarily due to \$5.0 million of  
amortization of convertible note discount incurred in the third quarter of  
2008.

1 In the third quarter of 2009, the Company recorded a tax expense of \$1.6  
2 million representing an effective tax rate of 32.7%.

3 Net income for the third quarter of 2009 was \$3.2 million, compared to  
4 a loss of \$3.5 million in the third quarter of 2008, and a decrease of  
5 33.8% from \$4.9 million in the second quarter of 2009. Net income  
6 excluding share-based compensation expenses, non-recurring interest  
7 expense incurred prior to the conversion of certain promissory notes and  
8 changes in fair value of warrant liabilities, legal and other professional  
9 services expenses related to the Ideation transaction and amortization of  
10 intangible assets (non-GAAP), was \$6.8 million for the third quarter of  
11 2009, an increase of 4.7% from \$6.5 million in the third quarter of 2008  
12 and an increase of 10.0% compared to the second quarter of 2009.

13 As of September 30, 2009, cash and cash equivalents were \$6.4 million,  
14 representing an increase of 46.1% compared to \$4.4 million as of June  
15 30, 2009. Net cash generated from operating activities was \$1.6 million  
16 for the three-month period ended September 30, 2009.

17 After giving effect to the \$34.7 million earnout payment made upon the  
18 closing of the transaction with Ideation, the remaining earnout payment  
19 due to the companies SearchMedia acquired prior to its acquisition by  
20 Ideation is approximately \$70 million, payable over the next 18 months.  
21 SearchMedia has the right to pay approximately 50% of the earnout in  
22 stock at its discretion.

### 23 Business Outlook

24 Ms. Garbo Lee stated, "While we are pleased with our ability to improve  
25 our profitability in the third quarter of 2009, the advertising market  
26 continued to be very challenging in 2009. Traditional billboard  
27 continues to perform well with occupancy currently over 90%. *However,*  
28 *revenue for our in-elevator business is performing below our*  
*expectations due to increased competition and the challenging ad*  
*market. We continue to reduce our elevator network by exiting less*  
*lucrative and unprofitable locations, resulting in margin*  
*improvement. While we expect our traditional outdoor billboard and*

1        *subway businesses to remain stable, we anticipate revenue in the*  
2        *fourth quarter of 2009 will be down sequentially, primarily due to the*  
3        *rationalization of our in-elevator business. We remain focused on*  
4        *implementing our strategy whereby our media site selection and*  
5        *advertising sales teams will become more integrated in every city.*  
6        *While this integration may require up to two quarters to implement*  
7        *fully throughout our nationwide network, we believe that this initiative*  
8        *will eventually result in a better quality elevator portfolio, higher*  
9        *occupancy rates, and improved profitability and cash flow."*

8        (Emphasis added).

9        40.    On this news, SearchMedia's stock fell \$0.55 per share, or nearly 6.5%,  
10       to close on December 23, 2009, at \$7.95 per share, on unusually heavy trading  
11       volume.

13       41.    On March 31, 2010, the Company issued a press release entitled,  
14       "SearchMedia to File Form 12b-25 Related to Form 10-K Filing." Therein, the  
15       Company, in relevant part, stated:

17       SHANGHAI, CHINA--(Marketwire - 03/31/10) - SearchMedia  
18       Holdings Limited ("SearchMedia" or the "Company") (AMEX:IDI -  
19       News) (AMEX:IDI.WS - News), one of China's leading nationwide  
20       multi-platform media companies, intends to file a Form 12b-25 with the  
21       Securities and Exchange Commission on April 1, 2010, to delay the  
22       filing of its Annual Report on Form 10-K for the year ended December  
23       31, 2009.

23       *SearchMedia's review of 2009 financial results is taking longer than*  
24       *anticipated as the Company is assessing the materiality of certain*  
25       *uncollectible accounts receivable related to sales generated primarily*  
26       *in the in-elevator business, which the Company believes will likely*  
27       *result in significant adjustments from previously disclosed estimated*

1 *financial results for 2009. The Company has begun discussions with*  
2 *several of the original SearchMedia shareholders to address*  
3 *appropriate remedies, which may include cancellation of some of the*  
4 *shares issued in the Share Exchange Agreement. In completing the*  
5 *2009 financial results, the Company also needs additional time to*  
6 *complete its review of the reverse capitalization structure and other*  
7 *matters which are still being reviewed.*

8 Paul Conway, Chief Executive Officer of SearchMedia, stated, "*During*  
9 *the preparation of our 2009 year-end financial statements, we*  
10 *determined that some of the accounts receivable primarily related to*  
11 *the in-elevator business may not be collectible. This could materially*  
12 *impact our revenue and net income for 2009, and as such, we believe*  
13 *it is prudent that we extend our financial audit beyond the March 31,*  
14 *2010 filing deadline for our Fiscal Year 2009 annual report. We*  
15 *expect to release our 2009 year-end financial results by April 15th,*  
16 *2010.*

17 *Conway continued, "While this situation is disappointing, our senior*  
18 *team, including myself and other recent strategic hires, have quickly*  
19 *and significantly enhanced our internal controls and processes. New*  
20 *staff at our in-elevator business has helped to rationalize the*  
21 *operations and resume growth. Our billboard and subway business*  
22 *remains strong and we continue to build our revenue base and expand*  
23 *our presence in China through new concessions which will increase*  
24 *profitability in 2010. The Company has also made significant progress*  
25 *on new organic and acquisition growth opportunities, in addition to*  
26 *entering into new long-term agreements with management of our*  
27 *operating subsidiaries to enhance the long term growth of our company."*

28 The complete and final results of the Company's assessment of its  
internal controls and financial results will be disclosed in its Annual  
Report on Form 10-K for the year ended December 31, 2009.

(Emphasis added).

42. On this news, SearchMedia's stock fell \$0.41 per share, or approximately

1 8.7%, to close on April 1, 2010, at \$4.30 per share, on unusually heavy trading  
2 volume.

3  
4 43. On April 16, 2010, the Company issued a press release entitled,  
5 "SearchMedia Provides Preliminary Full Year 2009 Unaudited Financial Results and  
6 Operational Update." Therein, Searchmedia, in relevant part, stated:

7  
8 Provides Preliminary Revenue and Net Income for 2009 and Financial  
9 Guidance for 2010

10 Live Conference Call to Be Held on Monday, April 19, 2010 at 8:00  
11 AM U.S. Eastern Time

12 SHANGHAI, CHINA--(Marketwire - 04/16/10) - SearchMedia  
13 Holdings Limited ("SearchMedia" or the "Company") (AMEX:IDI -  
14 News) (AMEX:IDI.WS - News), one of China's leading nationwide  
15 multi-platform media companies, today provided an operational update  
16 and preliminary unaudited financial results for the full year 2009. The  
17 Company also provided financial guidance for the full year 2010.

18 Rob Fried, Co-Chairman of the Board of Directors of SearchMedia,  
19 commented, "Following the completion of the SPAC transaction, we  
20 *discovered operational and other issues primarily relating to the*  
21 *Shanghai Jingli Advertising Company Limited ("Jingli") in-elevator*  
22 *division of the Company. In response, we quickly brought new,*  
23 *reliable senior management to the Company and worked to assess the*  
24 *depth and magnitude of the issues. In accordance with our findings,*  
25 *we may reverse approximately \$16 to \$18 million of revenues*  
26 *previously reported for the first nine months of 2009, which could not*  
27 *be substantiated in our year-end review. We have also made other*  
28 *important changes, including restructuring the in-elevator division*  
*personnel and management processes to enhance stability, revenue*  
*collectability and business transparency going forward."*

1 Paul Conway, Chief Executive Officer of SearchMedia, remarked,  
2 "Despite the issues caused under prior management, we still have been  
3 able to realize significant progress in our new business development  
4 efforts thus far in 2010. We have several transactions in progress that  
5 will better align interests between subsidiaries and shareholders, create  
6 additional long-term revenue opportunities, strengthen and diversify our  
7 service suite in China's media sector, and enhance our national presence  
8 through accretive transactions. We intend to keep our investors up to  
9 date and make additional announcements as these endeavors evolve.  
10 Importantly, our outdoor billboard and transit businesses were strong in  
11 the first quarter of 2010, and we believe the prospects for 2010 and  
12 beyond are excellent."

#### 13 Preliminary Unaudited Financial Results and Other Matters

14 Today, the Company is providing preliminary unaudited financial results  
15 for the full year 2009, which reflect the impact of a potential significant  
16 revenue reversal and other extraordinary items primarily related to the  
17 Company's business conducted through Jingli.

18 *For the full year 2009, the Company anticipates \$64 to \$66 million in*  
19 *revenue, after giving effect to the aforementioned \$16 to \$18 million*  
20 *revenue reversal. The Company's operating profit and net income*  
21 *were significantly impacted because, despite the reversal, the*  
22 *Company was obligated to recognize the associated costs of revenues*  
23 *and operating expenses in full. Assuming the effect of the revenue*  
24 *reversal, but before additional bad debt reserve and a write-off of fixed*  
25 *assets and under-accrued liabilities discussed below, the Company*  
26 *estimates operating profit to be approximately \$1 to \$3 million and net*  
27 *loss to be approximately \$6 to \$8 million.*

28 Based on currently available estimates, the Company expects to provide  
for a \$7 million additional bad debt reserve for sales primarily generated  
prior to 2009 and to write off \$6 million of fixed assets and other assets  
and under-accrued liabilities. The effect of these extraordinary charges  
and adjustments is to decrease the Company's estimated results of  
operations to an operating loss of \$10 to \$12 million and to increase its

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estimated net loss to approximately \$19 to \$21 million.

As of December 31, 2009, the Company had approximately \$30 million in cash and cash equivalents, and approximately 20.7 million common shares outstanding.

Excluding allocation of corporate overhead and the entire Jingli business, where most of the revenue reversal and extraordinary items occurred, SearchMedia believes it generated approximately \$54 to \$56 million in revenue and \$15 to \$16 million in net income for the full year 2009 from its other operating subsidiaries. These results reflect strong revenue performance and profitability at the Company's subsidiaries.

Wilfred Chow, Chief Financial Officer of SearchMedia, stated, "We are aggressively pursuing collection of receivables across the Company, even including those deemed uncollectible in 2009. Additionally, we provided our preliminary 2009 financial results excluding the Jingli business and allocation of corporate overhead to facilitate an accurate understanding of our subsidiary operations."

Chow continued, "Also note that as of the market close on April 14, 2010, SearchMedia had approximately 22 million fully diluted shares outstanding, and this is before any potential cancellation of shares from the Share Exchange Agreement that we are currently pursuing."

*Paul Conway continued, "We believe lack of oversight, inadequate customer approval procedures, staff turnover and poor record keeping under prior management in 2009, among other things, led to a high receivables risk. In the past few months, we took steps to dramatically tighten internal controls and vigorously pursue the collection of receivables. As a result of potential misrepresentations related to the business, we continue to pursue all legal remedies available to the Company and we are continuing discussions with several of the original SearchMedia shareholders to address potential remedies, including cancellation of some of the shares issued in the Share Exchange Agreement."*

1 *Previously, the Company had received anonymous letters claiming*  
2 *fraudulent activities at its operation in China. In connection with*  
3 *these letters, a special committee of the SearchMedia board of*  
4 *directors engaged independent counsel and forensic accountants to*  
5 *assist it conducting an extensive investigation into the claims made in*  
6 *these anonymous letters. As of the date of this release, the*  
7 *investigation has been substantially completed and management has*  
8 *implemented many remedial actions, including those discussed below,*  
9 *to strengthen internal controls and procedures and to address some of*  
10 *the issues identified during the investigation.*

11 In the first quarter of 2010, SearchMedia began implementing many  
12 operational improvements including but not limited to the following:

13 *-- Enhancing the senior management team with the hiring of a new*  
14 *CEO and CFO and the addition of in-house corporate counsel;*

15 *-- Strengthening the finance and accounting function with the*  
16 *addition of a Vice President of Finance and a focus on better*  
17 *utilization of accounting systems between the parent company and*  
18 *subsidiaries;*

19 *-- Restructuring of the in-elevator business, including management*  
20 *changes and rationalization of underperforming branch offices; and*

21 *-- Improving the Company's future ability to collect revenue for*  
22 *services rendered by linking sales commissions to accounts receivable*  
23 *collection, mandating a customer validation and approval process,*  
24 *requiring an internal contract review process, conducting systematic*  
25 *bad debt reviews between sales and accounting teams, and*  
26 *strengthening documentation of services rendered.*

#### 27 Transactional Update and Business Development Efforts

28 In addition to the aforementioned operational improvements, SearchMedia also achieved notable progress in solidifying long-term revenue opportunities, strengthening its service suite in China's media

1 sector and taking steps to enhance its national presence through a  
2 pending, accretive acquisition. More specifically, SearchMedia recently:

3 -- Entered into multi-year agreements with management of three of  
4 SearchMedia's largest subsidiaries, which, among other things,  
5 incentivizes the teams to focus on long-term operational and  
6 performance goals. SearchMedia believes these agreements better align  
7 interests between subsidiaries, the parent company and shareholders.  
8 The Company is also in active discussion with management of its other  
9 operating subsidiaries for similar arrangements;

10 -- Signed a new one year cooperation agreement with a leading outdoor  
11 media company to provide bus advertisements, which further expands  
12 the Company's media portfolio and its ability to provide a one-stop-shop  
13 for clients; and

14 -- Entered into an agreement to acquire a profitable billboard company  
15 located in one of the most affluent cities in China. The acquisition is  
16 expected to close by the end of the second quarter of 2010 and  
17 strengthens SearchMedia's competitive position. The target has a long  
18 history of operations in China and has an established presence in one of  
19 the most desirable markets in the country. Through this acquisition, the  
20 Company will enhance its ability to support and deliver broader, more  
21 comprehensive national sales campaigns. The transaction is subject to  
22 final government approval.

23 Conway added, "These operational achievements demonstrate our  
24 commitment and ability to facilitate the long-term growth of  
25 SearchMedia. General order demand in both our billboard and subway  
26 businesses remains solid for 2010, and we are already seeing  
27 improvements in our in-elevator operations. We are placing strong  
28 emphasis on maximizing our overall margin performance and the  
expansion of our media portfolio. With these goals in mind, we have  
modified agreements with management at our operating subsidiaries and  
structured the terms of the pending acquisition so that the incentives are  
best aligned with SearchMedia's and its shareholders' interests. As we  
continue to expand our media portfolio and geographic presence, we

1 hope to further expand our network for national sales campaigns while  
2 also building a more comprehensive one-stop-shop for our clients.

3 "Importantly, we remain confident in our ability to further  
4 SearchMedia's growth. As of today, we are estimating revenue of  
5 approximately \$85 million in 2010 and net income of approximately \$18  
6 million. This is up substantially from the results we announced today,  
7 driven by continued organic growth across our media platforms,  
8 geographic expansion, and select potential new concessions and  
9 acquisitions," said Conway.

### 10 Timing of 10K Filing

11 The Company believes that it cannot complete the disclosure necessary  
12 for its Annual Report on Form 10-K within the extended filing deadline  
13 of April 15, 2010. The Company intends to file its Annual Report on  
14 Form 10-K by May 17, 2010. The preliminary financial results presented  
15 above are subject to the final resolution of the operational issues  
16 described above and completion of the audit by the Company's  
17 independent auditors. Accordingly, the audited results presented in the  
18 Company's Annual Report on Form 10-K may differ materially from  
19 these preliminary results.

20 Mr. Chow concluded, "We appreciate the patience of our stockholders  
21 as we work to complete our financial reporting process. As the Company  
22 is continuing to fully assess the extent of the financial impact of the  
23 operational and other issues discovered during the year-end review, we  
24 believe that it is prudent to further delay our filing until we fully  
25 complete our review. Furthermore, we believe our decision to conduct  
26 a thorough and diligent review now will allow us to provide  
27 shareholders with more accurate and consistent information going  
28 forward."

(Emphasis added).

44. On May 13, 2010, the Company issued a press release entitled,

1 “SearchMedia Hires Bernstein & Pinchuk as Independent Auditor.” Therein, the  
2 Company, in relevant part, stated:  
3

4 Shanghai, China, May 13, 2010 — SearchMedia Holdings Limited  
5 (“SearchMedia” or the “Company”) (NYSE Amex: IDI, IDI.WS), one  
6 of China’s leading nationwide multi-platform media companies,  
7 announced today that the Audit Committee of its Board of Directors  
8 approved the engagement of Bernstein & Pinchuk LLP, a independent  
9 member of the BDO Seidman LLP alliance as the Company’s  
10 independent registered public accounting firm effective May 12, 2010.  
11 Bernstein & Pinchuk replaces the Company’s former independent  
12 auditor, KPMG, which resigned on May 7, 2010. The resignation was  
13 not due to any dispute between KPMG and the Company. In addition,  
14 KPMG’s report on the consolidated financial statements of SearchMedia  
International Limited for the fiscal year ended December 31, 2008 did  
not contain an adverse opinion nor a disclaimer of opinion and was not  
qualified or modified as to uncertainty, audit scope or accounting  
principles.

15 Speaking about the appointment, Mr. Paul Conway, CEO of  
16 SearchMedia, stated, “With a dedicated team on the ground in China  
17 able to work closely with our management team, we believe Bernstein  
18 & Pinchuk is a strong complement to our business, our size and the  
scope of our needs at this current time.”

19 Bernstein & Pinchuk, an independent member of the BDO Seidman LLP  
20 alliance, provides a full range of audit and assurance, tax and transaction  
21 advisory services for clients in a variety of industries throughout the  
22 world. With offices in New York, Beijing, Guangzhou, and Hangzhou,  
23 Bernstein & Pinchuk provides the expertise, cultural understanding and  
support needed to efficiently serve and advise clients.

24 At this time, the Company believes that it cannot complete the  
25 disclosure necessary for its 2009 Annual Report on Form 10-K by May  
26 17, 2010. The Company intends to file its Annual Report on Form 10-K  
no later than July 21, 2010.

1 45. On May 24, 2010, the Company issued a press release entitled,  
2 "SearchMedia Announces First Quarter 2010 Preliminary Unaudited Financial  
3 Results." Therein, SearchMedia, in relevant part, stated:  
4

5 SHANGHAI, CHINA--(Marketwire - 05/24/10) - SearchMedia  
6 Holdings Limited ("SearchMedia" or the "Company") (AMEX:IDI -  
7 News) (AMEX:IDI.WS - News), one of China's leading nationwide  
8 multi-platform media companies, today provided preliminary unaudited  
9 financial results for the first quarter 2010 and an operational update.

10 Paul Conway, Chief Executive Officer, commented, "We are pleased  
11 with the progress that we made in the 2010 first quarter and into the  
12 2010 second quarter. Because of the operational issues discovered  
13 earlier in the year, we continue to work towards finalization of our  
14 financial statements and filing of our 2009 Form 10-K and 2010 first  
15 quarter Form 10-Q, while we focus on growing the business in a prudent  
16 manner. On May 5, 2010, we submitted our plan of compliance to the  
17 NYSE Amex for their review with the goal of filing our 2009 Form  
18 10-K within the NYSE Amex compliance deadline of July 21, 2010.

19 "We have several transactions in progress that will create additional  
20 long-term revenue opportunities, diversify our service suite in China's  
21 media sector, and enhance our national presence. The previously  
22 announced acquisition of another profitable billboard company  
23 continues to work its way through the government approval process and  
24 we expect it to close in the 2010 second quarter. We also signed a  
25 one-year cooperation agreement to provide bus advertisements which  
26 will begin delivering revenue contribution in the 2010 second quarter.  
27 Our pipeline for significant new concession and acquisition  
28 opportunities continues to grow. We intend to continue to pursue  
accretive opportunities in China's growing outdoor advertising sector as  
we look for additional means to enhance our revenues, reduce costs and  
increase profitability.

"In addition, we have entered into multi-year agreements with two

1 additional subsidiaries for a total of five this year which provide further  
2 incentives to subsidiary management to focus on long-term performance  
3 goals. We have made progress with management of our other  
4 subsidiaries for similar arrangements, as well."

5 Preliminary Unaudited Financial Results

6 For the 2010 first quarter, the Company anticipates \$13 million in  
7 revenue and approximately \$1 million in net income.

8 Revenue was driven primarily by our existing billboard and transit  
9 businesses. Revenue in the 2010 first quarter did not benefit from our  
10 announced billboard acquisition or new bus concession.

11 Net income was driven by continued profitability of our billboard and  
12 transit businesses, which was partially offset by losses from the  
13 Shanghai Jingli in-elevator business and corporate overhead costs.

14 As of March 31, 2010, the Company had approximately \$22 million in  
15 cash and cash equivalents, and approximately 20.7 million basic  
16 common shares outstanding. During the first quarter, cash of  
17 approximately \$4 million was utilized as part of the previously  
18 announced share and warrant buyback program.

19 For comparative purposes, the Company intends to release 2009 quarter  
20 by quarter results in its Annual Report on Form 10-K.

21 Speaking about the preliminary financial results, Wilfred Chow, Chief  
22 Financial Officer said, "The Company was able to deliver positive net  
23 income during the 2010 first quarter in spite of the usual seasonality in  
24 the industry where the first quarter is traditionally the slowest quarter of  
25 the year. Net income was achieved through tighter cost controls, the  
26 Shanghai Jingli elevator business operating at a lower loss when  
27 compared with last year and no significant financial write-offs in the  
28 first quarter of 2010."

Paul Conway continued, "Our business was profitable in the 2010 first

1 quarter, however, there were two primary items that adversely affected  
2 the revenue performance of the overall company. *The Company's*  
3 *Shanghai Jingli in-elevator business experienced a bottoming-out*  
4 *during the first quarter of 2010 due to the restructuring effort we*  
5 *implemented at the business and stricter credit procedures prior to*  
6 *accepting new clients. We believe the scalability of the in-elevator*  
7 *business remains an attractive growth prospect and expect the*  
8 *business to become profitable in the 2010 third quarter. Also, one of*  
9 *our subsidiaries had some delays in certain advertising campaigns*  
10 *which resulted in the recognition of these revenues in the 2010 second*  
11 *quarter.*

9 "Our outdoor billboard and transit businesses remain solid, with our  
10 subsidiaries delivering approximately \$3 million in net income in the  
11 first quarter, which excludes Shanghai Jingli and corporate expenses.  
12 We remain confident of the growth prospects of our businesses for the  
13 full year. Furthermore, during the course of the second quarter we have  
14 seen greater deployment of 2010 advertising budgets from our clients.

14 "With the anticipated business developments including new contracts,  
15 additional concessions and expected acquisition closings we remain  
16 confident in our ability to achieve revenue of approximately \$85 million  
17 and net income of approximately \$18 million for the full year 2010."

18 (Emphasis added).

19 46. The statements contained in ¶¶39, 41, 43-45, were materially false  
20 and/or misleading when made because defendants failed to disclose or indicate the  
21 following: (1) that SMIL was improperly recognizing revenue; (2) that, as a result,  
22 SMIL's financial results were overstated; (3) that SMIL's financial results were not  
23 prepared in accordance with GAAP; (4) that SMIL lacked adequate internal and  
24 financial controls; and (5) as a result of the above, SMIL's financial statements were  
25  
26  
27

1 materially false and misleading at all relevant times.

2  
3 **Disclosures at the End of the Class Period**

4 47. Then, on August 20, 2010, SearchMedia issued a press release titled,  
5 “SearchMedia Releases Second Quarter 2010 Preliminary Unaudited Financial  
6 Results.” Therein, the Company, in relevant part, stated:  
7

8 **Intention to Restate 2007 and 2008 Financials**

9  
10 Wilfred Chow, Chief Financial Officer of SearchMedia, stated, “As a  
11 result of our continued internal analysis of our financial statements for  
12 the year ended December 31, 2009, based on management’s  
13 recommendation, the Audit Committee has concluded that the historical  
14 financial statements of SearchMedia International Limited for the 2007  
15 and 2008 fiscal years should be restated and that the financial statements  
16 from these periods can no longer be relied upon. *We estimate that*  
17 *revenue in 2007 and 2008 was overstated by approximately \$6 million*  
18 *and \$25 million, respectively, and we are still evaluating the impact to*  
19 *reported net income during those periods.* At this time, we expect the  
20 2007 and 2008 restatements to have a positive effect on the previously  
21 reported unaudited net income for the year ended December 31, 2009  
22 and for the quarter ended March 31, 2010.

23  
24 Conway commented, “In connection with our Plan of Compliance with  
25 the NYSE/AMEX that was accepted in June 2010, the NYSE/AMEX  
26 granted the Company an extension to file its Form 10-K for the year  
27 ended December 31, 2009 until August 31, 2010. While we continue to  
28 endeavor to file our Form 10-K on or prior to August 31, 2010, it is  
unlikely that we will meet this deadline due to the restatement of the  
2007 and 2008 financial statements of SearchMedia International  
Limited. We have submitted a request to the NYSE/AMEX for an  
additional extension and are awaiting their decision. *We remain fully*  
*committed to bringing the Company into compliance with Sections*  
*134 and 101 of the NYSE Amex LLC Company Guide.” Conway*

1           *continued, "Since the new management team began working at*  
2           *SearchMedia Holdings earlier this year, we have made significant*  
3           *progress implementing remedial actions to strengthen our internal*  
4           *controls and procedures. We continue to actively address some of the*  
5           *issues identified during the previously reported special committee's*  
6           *investigation and management's further analysis, including*  
7           *strengthening the Company's management, finance and accounting*  
8           *functions, restructuring the in-elevator business, and improving the*  
9           *Company's accounts receivable and documentation control systems.*  
10           *We continue to pursue all remedies available to the Company,*  
          *including legal remedies and potential cancellation of some of the*  
          *shares issued in the Share Exchange Agreement. As of today, there*  
          *are approximately 22 million fully diluted shares outstanding, of which*  
          *approximately 9 million were issued to the pre-merger shareholders."*

11           (Emphasis added).

12  
13           48.    On this news, SearchMedia's stock fell \$0.78 per share, or nealy 23%,  
14           to close on August 20, 2010, at \$2.62 per share on unusually heavy trading volume,  
15           and further declined an additional \$0.92 per share, more than 35%, to close on August  
16           23, 2010, at \$1.70 per share, again on unusually heavy trading volume. Over the  
17           course of these two days of trading, SearchMedia's stock declined a combined \$1.70  
18           per share, or 50%, from the closing price of \$3.40 per share on August 19, 2010.  
19  
20

21                           **SEARCHMEDIA'S VIOLATION OF GAAP RULES**  
22                           **IN ITS FINANCIAL STATEMENTS**  
23                           **FILED WITH THE SEC**

24           49.    These financial statements and the statements about the Company's  
25           financial results were false and misleading, as such financial information was not  
26

1 prepared in conformity with GAAP, nor was the financial information a fair  
2 presentation of the Company's operations due to the Company's revenue recognition  
3 and accounting in violation of GAAP rules.  
4

5 50. GAAP are those principles recognized by the accounting profession as  
6 the conventions, rules and procedures necessary to define accepted accounting  
7 practice at a particular time. Regulation S-X (17 C.F.R. § 210.4 01(a) (1)) states that  
8 financial statements filed with the SEC which are not prepared in compliance with  
9 GAAP are presumed to be misleading and inaccurate. Regulation S-X requires that  
10 interim financial statements must also comply with GAAP, with the exception that  
11 interim financial statements need not include disclosure which would be duplicative  
12 of disclosures accompanying annual financial statements. 17 C.F.R. § 210.10-01(a).  
13  
14

15 51. The fact that SearchMedia has announced that it intends to restate its  
16 financial statements, and informed investors that these financial statements should not  
17 be relied upon is an admission that they were false and misleading when originally  
18 issued (APB No.20, 7-13; SFAS No. 154, 25).  
19  
20

21 52. Given these accounting irregularities, the Company announced financial  
22 results that were in violation of GAAP and the following principles:  
23

24 (a) The principle that "interim financial reporting should be based  
25 upon the same accounting principles and practices used to prepare annual financial  
26

1 statements” was violated (APB No. 28, 10);

2  
3 (b) The principle that “financial reporting should provide information  
4 that is useful to present to potential investors and creditors and other users in making  
5 rational investment, credit, and similar decisions” was violated (FASB Statement of  
6 Concepts No. 1, 34);

7  
8 (c) The principle that “financial reporting should provide information  
9 about the economic resources of an enterprise, the claims to those resources, and  
10 effects of transactions, events, and circumstances that change resources and claims  
11 to those resources” was violated (FASB Statement of Concepts No. 1, 40);

12  
13 (d) The principle that “financial reporting should provide information  
14 about an enterprise's financial performance during a period” was violated (FASB  
15 Statement of Concepts No. 1, 42);

16  
17 (e) The principle that “financial reporting should provide information  
18 about how management of an enterprise has discharged its stewardship responsibility  
19 to owners (stockholders) for the use of enterprise resources entrusted to it” was  
20 violated (FASB Statement of Concepts No. 1, 50);

21  
22 (f) The principle that “financial reporting should be reliable in that  
23 it represents what it purports to represent” was violated (FASB Statement of Concepts  
24 No. 2, 58-59);

1 (g) The principle that “completeness, meaning that nothing is left out  
2 of the information that may be necessary to insure that it validly represents underlying  
3 events and conditions” was violated (FASB Statement of Concepts No. 2, 79); and  
4

5 (h) The principle that “conservatism be used as a prudent reaction to  
6 uncertainty to try to ensure that uncertainties and risks inherent in business situations  
7 are adequately considered” was violated (FASB Statement of Concepts No. 2, 95).  
8

9 53. The adverse information concealed by Defendants during the Class  
10 Period and detailed above was in violation of Item 303 of Regulation S-K under the  
11 federal securities law (17 C.F.R. §229.303).  
12

13 **CLASS ACTION ALLEGATIONS**  
14

15 54. Plaintiff brings this action as a class action pursuant to Federal Rule of  
16 Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all persons or  
17 entities who purchased or otherwise acquired SearchMedia securities between April  
18 1, 2009 and August 20, 2010, inclusive (the “Class Period”), and who were damaged  
19 thereby. Excluded from the Class are Defendants, the officers and directors of the  
20 Company, at all relevant times, members of their immediate families and their legal  
21 representatives, heirs, successors or assigns and any entity in which Defendants have  
22 or had a controlling interest.  
23  
24

25  
26 55. The members of the Class are so numerous that joinder of all members  
27

1 is impracticable. Throughout the Class Period, SearchMedia (f/k/a Ideation),  
2 securities were actively traded on the NYSE Amex ("AMEX"). While the exact  
3 number of Class members is unknown to Plaintiff at this time and can only be  
4 ascertained through appropriate discovery, Plaintiff believes that there are hundreds  
5 or thousands of members in the proposed Class. Millions of SearchMedia shares  
6 were traded publicly during the Class Period on the AMEX. Record owners and other  
7 members of the Class may be identified from records maintained by SearchMedia or  
8 its transfer agent and may be notified of the pendency of this action by mail, using the  
9 form of notice similar to that customarily used in securities class actions.  
10  
11  
12

13  
14 56. Plaintiff's claims are typical of the claims of the members of the Class  
15 as all members of the Class are similarly affected by Defendants' wrongful conduct  
16 in violation of federal law that is complained of herein.  
17

18 57. Plaintiff will fairly and adequately protect the interests of the members  
19 of the Class and has retained counsel competent and experienced in class and  
20 securities litigation.  
21

22 58. Common questions of law and fact exist as to all members of the Class  
23 and predominate over any questions solely affecting individual members of the Class.  
24 Among the questions of law and fact common to the Class are:  
25

26 (a) Whether the federal securities laws were violated by Defendants'  
27

1 acts as alleged herein;

2 (b) Whether statements made by Defendants to the investing public  
3 during the Class Period omitted and/or misrepresented material facts about the  
4 operations, financial performance and prospects of SearchMedia; and  
5

6 (c) To what extent the members of the Class have sustained damages  
7 and the proper measure of damages.  
8

9 59. A class action is superior to all other available methods for the fair and  
10 efficient adjudication of this controversy since joinder of all members is  
11 impracticable. Furthermore, as the damages suffered by individual Class members  
12 may be relatively small, the expense and burden of individual litigation makes it  
13 impossible for members of the Class to individually redress the wrongs done to them.  
14  
15 There will be no difficulty in the management of this action as a class action.  
16

17 **UNDISCLOSED ADVERSE FACTS**

18 60. The market for SearchMedia securities was open, well-developed and  
19 efficient at all relevant times. As a result of these materially false and/or misleading  
20 statements, and/or failures to disclose, SearchMedia securities traded at artificially  
21 inflated prices during the Class Period. Plaintiff and other members of the Class  
22 purchased or otherwise acquired SearchMedia securities relying upon the integrity  
23 of the market price of the Company's securities and market information relating to  
24  
25  
26

1 SearchMedia, and have been damaged thereby.

2  
3 61. During the Class Period, Defendants materially misled the investing  
4 public, thereby inflating the price of SearchMedia securities, by publicly issuing false  
5 and/or misleading statements and/or omitting to disclose material facts necessary to  
6 make Defendants' statements, as set forth herein, not false and/or misleading. Said  
7 statements and omissions were materially false and/or misleading in that they failed  
8 to disclose material adverse information and/or misrepresented the truth about  
9 SearchMedia's business, operations, and prospects as alleged herein.  
10  
11

12 62. At all relevant times, the material misrepresentations and omissions  
13 particularized in this Complaint directly or proximately caused or were a substantial  
14 contributing cause of the damages sustained by Plaintiff and other members of the  
15 Class. As described herein, during the Class Period, Defendants made or caused to  
16 be made a series of materially false and/or misleading statements about  
17 SearchMedia's financial performance and prospects. These material misstatements  
18 and/or omissions had the cause and effect of creating in the market an unrealistically  
19 positive assessment of the Company and its financial well-being and prospects, thus  
20 causing the Company's securities to be overvalued and artificially inflated at all  
21 relevant times. Defendants' materially false and/or misleading statements during the  
22 Class Period resulted in Plaintiff and other members of the Class purchasing the  
23  
24  
25  
26

1 Company's securities at artificially inflated prices, thus causing the damages  
2 complained of herein.  
3

4 **LOSS CAUSATION**

5 63. Defendants' wrongful conduct, as alleged herein, directly and  
6 proximately caused the economic loss suffered by Plaintiff and the Class.  
7

8 64. During the Class Period, Plaintiff and the Class purchased SearchMedia  
9 securities at artificially inflated prices and were damaged thereby. The price of the  
10 Company's securities significantly declined when the misrepresentations made to the  
11 market, and/or the information alleged herein to have been concealed from the  
12 market, and/or the effects thereof, were revealed, causing investors's losses.  
13  
14

15 **SCIENTER ALLEGATIONS**

16 65. As alleged herein, Defendants acted with scienter in that Defendants  
17 knew that the public documents and statements issued or disseminated in the name  
18 of the Company were materially false and/or misleading; knew that such statements  
19 or documents would be issued or disseminated to the investing public; and knowingly  
20 and substantially participated or acquiesced in the issuance or dissemination of such  
21 statements or documents as primary violations of the federal securities laws. As set  
22 forth elsewhere herein in detail, Defendants, by virtue of their receipt of information  
23 reflecting the true facts regarding SearchMedia, his/her control over, and/or receipt  
24  
25  
26  
27

1 and/or modification of SearchMedia's allegedly materially misleading misstatements  
2 and/or their associations with the Company which made them privy to confidential  
3 proprietary information concerning SearchMedia, participated in the fraudulent  
4 scheme alleged herein.  
5

6  
7 **APPLICABILITY OF PRESUMPTION OF RELIANCE**  
8 **(FRAUD-ON-THE-MARKET DOCTRINE)**

9 66. The market for SearchMedia securities was open, well-developed and  
10 efficient at all relevant times. As a result of the materially false and/or misleading  
11 statements and/or failures to disclose, SearchMedia securities traded at artificially  
12 inflated prices during the Class Period. Plaintiff and other members of the Class  
13 purchased or otherwise acquired the Company's securities relying upon the integrity  
14 of the market price of SearchMedia securities and market information relating to  
15 SearchMedia, and have been damaged thereby.  
16  
17

18 67. During the Class Period, the artificial inflation of SearchMedia stock was  
19 caused by the material misrepresentations and/or omissions particularized in this  
20 Complaint causing the damages sustained by Plaintiff and other members of the  
21 Class. As described herein, during the Class Period, Defendants made or caused to  
22 be made a series of materially false and/or misleading statements about  
23 SearchMedia's financial performance and prospects. These material misstatements  
24  
25  
26

1 and/or omissions created an unrealistically positive assessment of SearchMedia and  
2 its business, operations, and financial performance, thus causing the price of the  
3 Company's securities to be artificially inflated at all relevant times, and when  
4 disclosed, negatively affected the value of the Company stock. Defendants'  
5 materially false and/or misleading statements during the Class Period resulted in  
6 Plaintiff and other members of the Class purchasing the Company's securities at such  
7 artificially inflated prices, and each of them has been damaged as a result.

8  
9  
10  
11 68. At all relevant times, the market for SearchMedia securities was an  
12 efficient market for the following reasons, among others:

13 (a) SearchMedia stock met the requirements for listing, and was  
14 listed and actively traded on the AMEX, a highly efficient and automated market;

15 (b) As a regulated issuer, SearchMedia filed periodic public reports  
16 with the SEC and the AMEX;

17 (c) SearchMedia regularly communicated with public investors *via*  
18 established market communication mechanisms, including through regular  
19 dissemination of press releases on the national circuits of major newswire services  
20 and through other wide-ranging public disclosures, such as communications with the  
21 financial press and other similar reporting services; and

22 (d) SearchMedia was followed by securities analysts employed by  
23  
24  
25

1 major brokerage firms who wrote reports about the Company, and these reports were  
2 distributed to the sales force and certain customers of their respective brokerage  
3 firms. Each of these reports was publicly available and entered the public  
4 marketplace.  
5

6  
7 69. As a result of the foregoing, the market for SearchMedia securities  
8 promptly digested current information regarding SearchMedia from all publicly  
9 available sources and reflected such information in SearchMedia's stock price. Under  
10 these circumstances, all purchasers of SearchMedia securities during the Class Period  
11 suffered similar injury through their purchase of SearchMedia securities at artificially  
12 inflated prices and a presumption of reliance applies.  
13  
14

15 **NO SAFE HARBOR**

16 70. The statutory safe harbor provided for forward-looking statements under  
17 certain circumstances does not apply to any of the allegedly false statements pleaded  
18 in this Complaint. The statements alleged to be false and misleading herein all relate  
19 to then-existing facts and conditions. In addition, to the extent certain of the  
20 statements alleged to be false may be characterized as forward looking, they were not  
21 identified as "forward-looking statements" when made and there were no meaningful  
22 cautionary statements identifying important factors that could cause actual results to  
23 differ materially from those in the purportedly forward-looking statements. In the  
24  
25  
26  
27

1 alternative, to the extent that the statutory safe harbor is determined to apply to any  
2 forward-looking statements pleaded herein, Defendants are liable for those false  
3 forward-looking statements because at the time each of those forward-looking  
4 statements was made, the speaker had actual knowledge that the forward-looking  
5 statement was materially false or misleading, and/or the forward-looking statement  
6 was authorized or approved by an executive officer of SearchMedia who knew that  
7 the statement was false when made.  
8  
9

10  
11 **FIRST CLAIM**  
12 **Violation of Section 10(b) of The Exchange Act**  
13 **and Rule 10b-5 Promulgated Thereunder**  
14 **Against All Defendants**

15 71. Plaintiff repeats and realleges each and every allegation contained above  
16 as if fully set forth herein.

17 72. During the Class Period, Defendants carried out a plan, scheme and  
18 course of conduct which was intended to and, throughout the Class Period, did: (i)  
19 deceive the investing public, including Plaintiff and other Class members, as alleged  
20 herein; and (ii) cause Plaintiff and other members of the Class to purchase  
21 SearchMedia securities at artificially inflated prices. In furtherance of this unlawful  
22 scheme, plan and course of conduct, defendants, and each of them, took the actions  
23 set forth herein.  
24  
25  
26

1           73. Defendants (i) employed devices, schemes, and artifices to defraud; (ii)  
2 made untrue statements of material fact and/or omitted to state material facts  
3 necessary to make the statements not misleading; and (iii) engaged in acts, practices,  
4 and a course of business which operated as a fraud and deceit upon the purchasers of  
5 the Company's securities in an effort to maintain artificially high market prices for  
6 SearchMedia securities in violation of Section 10(b) of the Exchange Act and Rule  
7 10b-5. All Defendants are sued either as primary participants in the wrongful and  
8 illegal conduct charged herein or as controlling persons as alleged below.  
9  
10  
11

12           74. Defendants, individually and in concert, directly and indirectly, by the  
13 use, means or instrumentalities of interstate commerce and/or of the mails, engaged  
14 and participated in a continuous course of conduct to conceal adverse material  
15 information about SearchMedia's financial well-being and prospects, as specified  
16 herein.  
17  
18

19           75. These defendants employed devices, schemes and artifices to defraud,  
20 while in possession of material adverse non-public information and engaged in acts,  
21 practices, and a course of conduct as alleged herein in an effort to assure investors of  
22 SearchMedia's value and performance and continued substantial growth, which  
23 included the making of, or the participation in the making of, untrue statements of  
24 material facts and/or omitting to state material facts necessary in order to make the  
25  
26  
27

1 statements made about SearchMedia and its business operations and future prospects  
2 in light of the circumstances under which they were made, not misleading, as set forth  
3 more particularly herein, and engaged in transactions, practices and a course of  
4 business which operated as a fraud and deceit upon the purchasers of the Company's  
5 securities during the Class Period.  
6  
7

8       76. Each of the Individual Defendants' primary liability, and controlling  
9 person liability, arises from the following facts: (i) the Individual Defendants were  
10 high-level executives and/or directors at the Company during the Class Period and  
11 members of the Company's management team or had control thereof; (ii) each of  
12 these defendants, by virtue of their responsibilities and activities as a senior officer  
13 and/or director of the Company, was privy to and participated in the creation,  
14 development and reporting of the Company's internal budgets, plans, projections  
15 and/or reports; (iii) each of these defendants enjoyed significant personal contact and  
16 familiarity with the other defendants and was advised of, and had access to, other  
17 members of the Company's management team, internal reports and other data and  
18 information about the Company's finances, operations, and sales at all relevant times;  
19 and (iv) each of these defendants was aware of the Company's dissemination of  
20 information to the investing public which they knew and/or recklessly disregarded  
21 was materially false and misleading.  
22  
23  
24  
25  
26

1           77. The defendants had actual knowledge of the misrepresentations and/or  
2 omissions of material facts set forth herein, or acted with reckless disregard for the  
3 truth in that they failed to ascertain and to disclose such facts, even though such facts  
4 were available to them. Such defendants' material misrepresentations and/or  
5 omissions were done knowingly or recklessly and for the purpose and effect of  
6 concealing SearchMedia's financial well-being and prospects from the investing  
7 public and supporting the artificially inflated price of its securities. As demonstrated  
8 by Defendants' overstatements and/or misstatements of the Company's business,  
9 operations, financial well-being, and prospects throughout the Class Period,  
10 Defendants, if they did not have actual knowledge of the misrepresentations and/or  
11 omissions alleged, were reckless in failing to obtain such knowledge by deliberately  
12 refraining from taking those steps necessary to discover whether those statements  
13 were false or misleading.  
14

15           78. As a result of the dissemination of the materially false and/or misleading  
16 information and/or failure to disclose material facts, as set forth above, the market  
17 price of SearchMedia securities was artificially inflated during the Class Period. In  
18 ignorance of the fact that market prices of the Company's securities were artificially  
19 inflated, and relying directly or indirectly on the false and misleading statements  
20 made by Defendants, or upon the integrity of the market in which the securities  
21

1 trades, and/or in the absence of material adverse information that was known to or  
2 recklessly disregarded by Defendants, but not disclosed in public statements by  
3 Defendants during the Class Period, Plaintiff and the other members of the Class  
4 acquired SearchMedia securities during the Class Period at artificially high prices and  
5 were damaged thereby.  
6  
7

8 79. At the time of said misrepresentations and/or omissions, Plaintiff and  
9 other members of the Class were ignorant of their falsity, and believed them to be  
10 true. Had Plaintiff and the other members of the Class and the marketplace known  
11 the truth regarding the Company's improper accounting practices, which were not  
12 disclosed by Defendants, Plaintiff and other members of the Class would not have  
13 purchased or otherwise acquired their SearchMedia securities, or, if they had acquired  
14 such securities during the Class Period, they would not have done so at the artificially  
15 inflated prices which they paid.  
16  
17  
18

19 80. By virtue of the foregoing, Defendants have violated Section 10(b) of  
20 the Exchange Act and Rule 10b-5 promulgated thereunder.  
21

22 81. As a direct and proximate result of Defendants' wrongful conduct,  
23 Plaintiff and the other members of the Class suffered damages in connection with  
24 their respective purchases and sales of the Company's securities during the Class  
25 Period.  
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**SECOND CLAIM**  
**Violation of Section 20(a) of The Exchange Act**  
**Against the Individual Defendants**

82. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

83. The Individual Defendants acted as controlling persons of SearchMedia within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

84. In particular, each of these Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed

1 to have had the power to control or influence the particular transactions giving rise  
2 to the securities violations as alleged herein, and exercised the same.  
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4 85. As set forth above, SearchMedia and the Individual Defendants each  
5 violated either Section 10(b) and Rule 10b-5, by their acts and/or omissions as  
6 alleged in this Complaint. By virtue of their positions as controlling persons, the  
7 Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As  
8 a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other  
9 members of the Class suffered damages in connection with their purchases of the  
10 Company's securities during the Class Period.  
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13 **PRAYER FOR RELIEF**  
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15 WHEREFORE, Plaintiff prays for relief and judgment, as follows:

16 (a) Determining that this action is a proper class action under Rule 23 of  
17 the Federal Rules of Civil Procedure;  
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19 (b) Awarding compensatory damages in favor of Plaintiff and the other  
20 Class members against all defendants, jointly and severally, for all damages sustained  
21 as a result of Defendants' wrongdoing, in an amount to be proven at trial, including  
22 interest thereon;  
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24 (c) Awarding Plaintiff and the Class their reasonable costs and expenses  
25 incurred in this action, including counsel fees and expert fees; and  
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(d) Such other and further relief as the Court may deem just and proper.

**JURY TRIAL DEMANDED**

Plaintiff hereby demands a trial by jury.

DATED: September 13, 2010 **GLANCY BINKOW & GOLDBERG LLP**