

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA**

CASE NO.

SECURITIES AND)
EXCHANGE COMMISSION,)
)
Plaintiff,)
v.)
)
THOMAS SCHROEPFER a/k/a)
THOMAS SCHROEPFER BAETSEN,)
CHARLES FUENTES, and)
SMOKEFREE INNOTECH, INC.,)
)
Defendants.)
_____)

COMPLAINT

Plaintiff Securities and Exchange Commission alleges as follows:

I. INTRODUCTION

1. From at least May 2009 until and through June 2009, Defendants Thomas Schroepfer, a/k/a Thomas Schroepfer Baetsen; Charles Fuentes; and SmokeFree Innotech Inc. engaged in a fraudulent scheme involving the stock of SmokeFree involving illicit kickbacks and phony agreements.

2. Schroepfer, the president and CEO of SmokeFree, with the assistance of Fuentes, a promoter of the company's stock, paid illegal kickbacks to a purported trustee of a pension fund so the trustee would purchase 400,000 restricted shares of SmokeFree stock. In addition to the kickbacks, SmokeFree issued shares of its stock as compensation to a middleman who introduced them to the purported pension fund trustee.

3. Unbeknownst to the Defendants, the corrupt pension fund trustee was a creation of the FBI. The pension fund's purported friend who helped arrange the deals was an undercover FBI agent, and the middleman was a witness cooperating with the FBI.

4. The Defendants attempted to conceal the kickbacks by having SmokeFree enter into a sham consulting agreement with a bogus consulting company purportedly created to receive the kickbacks.

5. As a result of the conduct described in this Complaint, the Defendants violated Section 17(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77q(a); and Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5. Unless restrained and enjoined, they are reasonably likely to continue to violate the securities laws.

6. The Commission respectfully requests that the Court enter: (a) a permanent injunction restraining and enjoining the Defendants from violating the federal securities laws; (b) an order directing the Defendants to pay disgorgement with prejudgment interest; (c) an order directing the Defendants to pay civil money penalties; and (d) an order barring Schroepfer and Fuentes from participating in any offering of a penny stock.

II. DEFENDANTS

7. Schroepfer is SmokeFree's president and CEO. He resides in Las Vegas, Nevada.

8. Fuentes is a stock promoter and resides in Dana Point, California. During the relevant time period, Fuentes promoted SmokeFree's stock.

9. SmokeFree is a Nevada corporation with its principal place of business in Las Vegas, Nevada. It purports to be in the business of developing, manufacturing and marketing smoke-free and tobacco-free cigarettes. During the relevant time period, its common stock was quoted on OTC Link operated by OTC Markets Group, Inc. under the symbol "SFIO." Its securities have never been registered with the Commission.

10. SmokeFree's stock is a "penny stock" as defined by the Exchange Act. At all times relevant to this Complaint, the company's stock traded at a high of \$.24 per share. During the same time period, SmokeFree's stock did not meet any of the exceptions to penny stock classification pursuant to Section 3(a)(51) and Rule 3a51-1 of the Exchange Act. For example, the company's stock: (a) did not trade on a national securities exchange; (b) was not an "NMS stock," as defined in 17 C.F.R. § 242.600(b)(47); (c) did not have net tangible assets (i.e., total assets less intangible assets and liabilities) in excess of \$5,000,000; and (d) did not have average revenue of at least \$6,000,000 for the last three years. *See* Exchange Act, Rule 3a51-1(g).

III. JURISDICTION AND VENUE

11. The Court has jurisdiction over this action pursuant to Sections 20(d) and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(d) and 77v(a), and Sections 21(d) and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d) and 78aa.

12. This Court has personal jurisdiction over the Defendants, and venue is proper in the Southern District of Florida, because many of the Defendants' acts and transactions constituting violations of the Securities Act and the Exchange Act occurred in the District. For example, on May 6, 2009, Schroepfer and Fuentes met with the cooperating witness and the agent in Broward County to discuss and finalize the scheme.

Additionally, on May 20 and June 8, 2009, SmokeFree sent kickback checks via express delivery to the agent in Coral Springs, Florida.

13. The Defendants, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce, or of a means or instrumentality of interstate commerce, or of the mails, in connection with the conduct alleged in this Complaint.

IV. THE FRAUDULENT SCHEME

14. On May 6, 2009, following several telephone conversations between Fuentes and the cooperating witness, Schroepfer and Fuentes met with the cooperating witness and the agent in Broward County, Florida to finalize a fraudulent scheme involving SmokeFree stock.

15. During the course of the meeting, Fuentes described his role with SmokeFree, stating his responsibility was to “maintain the public entity, create liquidity in the stock, ongoing advertising, marketing programs, [and] campaigns.” Also, during the meeting, Fuentes stressed the need to increase the stock’s price and volume, stating, “we’ll create the volume and liquidity in it, we’re gonna pay and spend whatever we need to bring in some other people in to help create liquidity in the stock and get the price up.”

16. As part of the scheme, the parties agreed the pension fund would purchase \$20,000 worth of SmokeFree stock in exchange for a 30 percent kickback by the company to the pension fund trustee. In addition, the Defendants agreed the cooperating witness, as a middleman, would receive shares of SmokeFree stock for introducing the parties to the deal.

17. To conceal the kickback, the Defendants agreed SmokeFree would pay a kickback to a bogus consulting company, and they planned for SmokeFree to enter into a phony consulting agreement. The Defendants understood the bogus consulting company would not be performing any actual consulting services. In fact, at the May 6 meeting, after the parties had discussed the 30% kickback, Schroepfer stated, "I'll need a receipt . . . because if anybody asks, why you wired this money out, hey, I got a receipt for a consulting fee."

A. The First Restricted Stock Transaction and Kickback

18. On May 14, 2009, pursuant to a subscription agreement between the pension fund and SmokeFree, the pension fund agreed to purchase 200,000 restricted shares of SmokeFree for \$20,000. The next day, SmokeFree entered into a sham consulting agreement.

19. On May 18, the FBI wired \$20,000 to SmokeFree's bank account. Two days later, SmokeFree sent a \$6,000 kickback check to the bogus consulting company.

20. On June 2, 2009, SmokeFree issued a stock certificate to the pension fund for the agreed-upon shares.

21. Schroepfer, acting as president of SmokeFree, executed the stock certificate, subscription agreement, and consulting agreement.

B. The Second Restricted Stock Transaction and Kickback

22. Almost immediately after completing the first transaction, the parties agreed to do another restricted stock deal. On June 1, 2009, SmokeFree and the bogus consulting company entered into an amended consulting agreement. Simultaneously, the

bogus consulting company sent SmokeFree an invoice for \$6,000 for purported consulting services performed in May 2009.

23. Two days later, pursuant to a stock purchase agreement between the pension fund and SmokeFree, the pension fund once again agreed to purchase 200,000 shares of company stock for \$20,000.

24. On June 4, 2009, pursuant to Fuentes's instructions to Schroepfer, SmokeFree issued the agreed-upon shares to the pension fund. The next day, the FBI wired \$20,000 to SmokeFree's bank account.

25. On June 8, 2009, SmokeFree sent a kickback of \$6,000 via check to the bogus consulting company. On June 17, SmokeFree completed the deal and issued 125,000 shares of stock to the cooperating witness.

26. Schroepfer, acting as president of SmokeFree, executed the stock certificates issued to the pension fund and the cooperating witness, the stock purchase agreement, and the amended consulting agreement.

COUNT I

Fraud In Violation of Section 17(a)(1) of the Securities Act

27. The Commission realleges and incorporates paragraphs 1 through 26 of this Complaint.

28. From May 2009 through and including June 2009, the Defendants, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, as described in this Complaint, knowingly, willfully or recklessly employed devices, schemes or artifices to defraud.

29. By reason of the foregoing, the Defendants, directly and indirectly, violated and, unless enjoined, are reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a).

COUNT II

Fraud in Violation of Sections 17(a)(2) and 17(a)(3) of the Securities Act

30. The Commission realleges and incorporates paragraphs 1 through 26 of this Complaint.

31. From May 2009 through and including June 2009, the Defendants, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, in the offer or sale of securities, as described in this Complaint:

(a) obtained money or property by means of untrue statements of material facts or omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; or

(b) engaged in transactions, practices, or courses of business which operated or would have operated as a fraud or deceit upon purchasers or prospective purchasers of such securities.

32. By reason of the foregoing, the Defendants, directly and indirectly, violated and, unless enjoined, are reasonably likely to continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(2) and 77q(a)(3).

COUNT III

Fraud in Violation of Section 10(b) and Rule 10b-5 of the Exchange Act

33. The Commission realleges and incorporates paragraphs 1 through 26 of this Complaint.

34. From May 2009 through and including June 2009, the Defendants, directly and indirectly, by use of any means or instrumentality of interstate commerce, or of the mails, in connection with the purchase or sale of securities, knowingly, willfully or recklessly:

- (a) employed devices, schemes, or artifices to defraud;
- (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (c) engaged in acts, practices, or courses of business which operated or would have operated as a fraud or deceit upon any person.

35. By reason of the foregoing, the Defendants, directly or indirectly, violated and, unless enjoined, are reasonably likely to continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

I.

Declaratory Relief

Declare, determine, and find that the Defendants have committed the violations of the federal securities laws alleged in this Complaint.

II.

Permanent Injunctive Relief

Issue a Permanent Injunction restraining and enjoining the Defendants, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating Section 17(a) of the Securities Act and Section 10(b) and Rule 10b-5 of the Exchange Act, as indicated above.

III.

Disgorgement

Issue an Order directing all Defendants to disgorge all ill-gotten gains, including prejudgment interest, resulting from the acts or courses of conduct alleged in this Complaint.

IV.

Penalties

Issue an Order directing the Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d).

V.

Penny Stock Bar

Issue an Order barring Schroepfer and Fuentes from participating in any offering of a penny stock, pursuant to Section 20(g) of the Securities Act, 15 U.S.C. § 77t(g), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), for the violations alleged in this Complaint.

VI.

Further Relief

Grant such other and further relief as may be necessary and appropriate.

VII.

Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that it may enter, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully submitted,

June 30, 2011

By: s/ James M. Carlson

James M. Carlson
Senior Trial Counsel
S.D. Florida Bar # A5501534
Telephone: (305) 982-6328
Facsimile: (305) 536-4154
E-mail: CarlsonJa@sec.gov

Trisha D. Sindler
Senior Counsel
Florida Bar # 0773492
Telephone: (305) 982-6352
E-mail : FuchsT@sec.gov

**ATTORNEYS FOR PLAINTIFF
SECURITIES AND EXCHANGE COMMISSION**
801 Brickell Avenue, Suite 1800
Miami, Florida 33131
Telephone: (305) 982-6300
Facsimile: (305) 536-4154