

**UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

RICHARD RANDALL.

Defendant.

C.A. No.: 3:21-cv-979

Jury Trial Demanded

**COMPLAINT**

Plaintiff Securities and Exchange Commission (“SEC”) files this Complaint against Defendant Richard Randall (“Randall”) and alleges as follows:

**SUMMARY OF THE ACTION**

1. Randall and his recently deceased associate engaged in a fraudulent scheme to lure investors with an opportunity to purportedly invest in a revolutionary wireless technology for transmitting electricity, but then diverted most of the investor funds to themselves using shell companies they controlled that were not affiliated with the company developing the technology. The scheme centered on a securities offering of units in Wireless Power, LLC (“Wireless Power”). Between approximately March 2015 and July 2016 (“Relevant Period”), the offering raised approximately \$17.2 million from approximately 52 investors in multiple states and countries.

2. The offering memorandum stated that Wireless Power would use investor funds to purchase equity interests in three purportedly affiliated companies – one that owned and was developing the technology, one that would market the technology, and one that would act as a

power broker to purchase electricity for resale using the technology. In reality, almost immediately upon receipt, Wireless Power transferred substantially all of the investor funds to the bank accounts of two undisclosed companies that Randall controlled, and Randall misused and misappropriated most of the funds for his benefit, to pay his associate, to pay undisclosed sales commissions, and for other purposes not authorized by the offering memorandum.

3. Randall's primary role in the scheme was this unauthorized movement of investor funds, but he also engaged in other deceptive acts. Randall held out the purported marketing company he controlled as a legitimate and valuable investment target in connection with the offering, when in fact it was a worthless shell company. He also disguised the transfer of investor funds for his benefit through fictitious or, at a minimum, deceptive purported sales of the marketing company's shares to Wireless Power, including by executing false documentation. In addition, Randall provided substantial assistance to Wireless Power in its making of misstatements and omissions in the offering memorandum and elsewhere about the use of investor funds and Randall's purported marketing company as detailed below.

4. By reason of this misconduct, Randall violated Sections 17(a)(1) and 17(a)(3) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. §§ 77q(a)(1) and 77q(a)(3)] and Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rules 10b-5(a) and 10b-5(c) thereunder [17 C.F.R. §§ 240.10b-5(a) and 240.10b-5(c)], and he aided and abetted Wireless Power's violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q] and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]. The SEC brings this action seeking permanent injunctive

relief, disgorgement of ill-gotten gains plus prejudgment interest, civil penalties, and all other equitable and ancillary relief the Court deems necessary.

### **JURISDICTION AND VENUE**

5. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d), and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d), and 77v(a)] and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa]. Randall, directly or indirectly, made use of the means or instruments of transportation or communication, or the instrumentalities of interstate commerce or the mails, in connection with the transactions, acts, practices, and courses of business alleged herein.

6. Venue is proper in this district pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Certain of the transactions, acts, practices, and courses of business constituting violations of the federal securities laws occurred within this district. Among other things, securities were offered and sold in this district, movement of investor funds occurred in this district, Randall transacts business within this district, and the principal places of business of Wireless Power, the Randall Companies, and some or all of the Target Companies, as defined below, are in this district.

### **DEFENDANT**

7. Randall is an individual who resides in Collin County, Texas. Randall was previously convicted of a felony in this district for violating 18 U.S.C. § 1014 for making a false, material statement for the purpose of influencing action on a loan by an institution, the deposits of which were insured by the FDIC. Randall refused to appear for testimony during the SEC's investigation of this matter.

**FACTUAL ALLEGATIONS**

**A. Relevant Entities.**

8. Wireless Power was formed as a Texas limited liability company on or about October 31, 2014, with its principal place of business in Dallas, Texas. During the Relevant Period, a Dallas-based attorney served as Wireless Power's registered agent and sole manager ("WP Manager"). However, as alleged further below, Randall's recently deceased associate ("Promoter") controlled Wireless Power and directed the WP Manager's activities related to Wireless Power and the offering.

9. The "Technology Company" is identified by name in the offering materials and was formed as a Texas limited liability company on or about August 29, 2013, with its principal place of business in Red Oak, Texas. Neither Randall nor the Promoter has ever been an officer, director, manager, or employee of the Technology Company, which at all times has been managed and controlled by unaffiliated third parties.

10. The "Power Broker" is identified by name in the offering materials as Texanova Energy, Inc. Upon information and belief, this entity has never existed. A company with a similar name was formed as a Texas limited liability company on or about June 24, 2015, with its principal place of business in Dallas, Texas, and is, upon information and belief, the successor to a failed water hauling venture that the Promoter controlled. During the Relevant Period, the Promoter controlled the Power Broker and was a signatory on its bank account. During the Relevant Period, the Power Broker was a shell company with no or nominal operations or revenues and no or nominal assets, excluding Wireless Power investor funds that flowed through the company's bank account.

11. The “Marketing Company” is identified by name in the offering materials as “Tesla Power Company, LLC.” Tesla Power Company, LLC was formed as a Texas limited liability company on or about April 14, 2014, was also formed as a Delaware limited liability company on or about July 8, 2015, and uses a Rowlett, Texas address as its principal place of business. During the Relevant Period, Randall controlled the Marketing Company, which, upon information and belief, did not have a bank account. During the Relevant Period, the Marketing Company was a shell company with no or nominal operations or revenues, and no or nominal assets, arguably excluding its independent agency agreement with the Technology Company discussed below.

12. The Technology Company, the Power Broker, and the Marketing Company are referred to collectively as the “Target Companies.”

13. The “Randall Companies” are Holmes Financial Services, LLC and Holmes Trading Company, LLC. The Randall Companies are not disclosed in the offering materials. The Randall Companies were formed as Texas limited liability companies on or about September 11, 2006 and September 10, 2009, respectively, with their principal places of business in Rowlett, Texas. During the Relevant Period, Randall controlled the Randall Companies and was the sole signatory on their bank accounts.

**B. The Wireless Power Offering.**

***1. Background***

14. Randall had a pre-existing connection to persons associated with the Technology Company. In 2014, Randall introduced the Promoter to the Technology Company and to the wireless technology for transmitting electricity it was developing (“Wireless Technology”).

Upon information and belief, the Promoter and Randall then together devised what became the Wireless Power offering. The Promoter and Randall repeatedly referred to each other as “partners” in connection with the venture, even though their names never appeared in the Wireless Power offering materials.

15. The Promoter approached the WP Manager and told him that he intended to create a company to raise funds to invest in the Target Companies. On or about October 31, 2014, the WP Manager formed Wireless Power at the Promoter’s request.

16. The WP Manager has described his role at Wireless Power during the Relevant Period as essentially administrative, including maintenance of the books, records, and bank accounts. At all times during the Relevant Period, the WP Manager took direction from and reported to the Promoter, who was Wireless Power’s agent and the person in *de facto* control of Wireless Power.

**2. *The offering memorandum.***

17. In early 2015, a written offering memorandum (“Offering Memo”) was prepared to offer for sale to investors units of interest in Wireless Power. The Promoter took the lead role in drafting the Offering Memo, and he controlled and had ultimate authority over the statements in the Offering Memo, including its contents and whether and how to communicate them.

18. Randall was also involved in the development of the Offering Memo. At least as early as January 9, 2015, the Promoter sent the Offering Memo to Randall by email. And the Promoter provided the Offering Memo to Randall for his review and comment on multiple occasions before it was used to raise investor funds in the general solicitation described below.

19. The Offering Memo states that Wireless Power was seeking to raise a total of \$79 million, through the sale of 79 units of Wireless Power (each unit represented 1% of the total authorized units of interest in the company). The Offering Memo instructs investors to rely on the information contained in the Offering Memo.

20. The Offering Memo claims that Wireless Power has the opportunity to invest in unique and proprietary wireless technology, and that investors would see “significant revenue streams” and would “mak[e] a tremendous impact on impoverished and developing nations and foster[] a global economic boom.” The Offering Memo tells investors that “[w]e anticipate that our first year revenues will consist primarily of license fees in the amount of \$1 billion” with annual royalties between 10% and 20% of gross revenue.

21. The Offering Memo represents that Wireless Power would use investor funds to purchase equity interests in the Target Companies, which it represents are “3 affiliated companies that have been organized to capitalize on the discoveries [related to the Wireless Technology].” Specifically, the Offering Memo represents that Wireless Power would use the investor funds to purchase a:

- 4% equity interest in the Technology Company that possessed the exclusive global rights to the technology;
- 16% equity interest in the Marketing Company, described as the “sole licensed Master Distributor for [the Technology Company,]” that would provide “outside licensing, marketing and sales of the technology globally;” and

- 24% equity interest in the Power Broker “formed for the purpose of acquiring and aggregating electricity from providers around the world for resale by [the Technology Company].”

**3. *The general solicitation.***

22. Wireless Power primarily used outside salespeople to market the offering to investors in multiple states and countries by phone and email in a general solicitation. The Promoter directed the salespeople, and after contacting prospective investors, the salespeople often referred the investors to speak or meet with the Promoter directly. The Promoter also made several presentations directly to prospective investors to solicit their investments. Randall participated in several of the investor presentations and investor calls.

23. In connection with these solicitations, investors received the Offering Memo, typically from the salespeople by email or through a link to an electronic drop box that the Promoter maintained that contained the Offering Memo and other offering materials. The Offering Memo was used to solicit investments throughout the Relevant Period, and investor funds were raised beginning on or about March 2, 2015, and until at least as late as on or about July 5, 2016.

24. The Offering Memo included subscription documents. To purchase units, investors completed the subscription documents and returned them to the WP Manager. The subscription documents instruct investors to wire funds to a Wireless Power bank account.

25. The Offering Memo states that the offering of units in Wireless Power is an offering of securities. Further, the units are investment contracts, and thus securities, under Section 2(a)(1) of the Securities Act and Section 3(a)(10) of the Exchange Act. Investors paid



money for the units. The investors' role in the venture was entirely passive, a fact acknowledged in the Offering Memo. The investors' fortunes were dependent upon, and their expectation of profits derived solely from, the efforts and expertise of the promoters of Wireless Power and the Target Companies, which efforts were projected to generate substantial income. Wireless Power also pooled investor funds to purportedly invest in the Target Companies, which further tied the investors' fortunes to the success of the overall venture.

26. Between approximately March 2, 2015 and July 5, 2016, approximately 52 investors in multiple states and foreign countries invested approximately \$17.2 million in the Wireless Power offering.

**C. The Scheme to Defraud.**

27. The Offering Memo makes clear that the stated purpose of the securities offering was to raise money to invest in and profit from the Wireless Technology that the Technology Company was developing. To accomplish this, Wireless Power would invest funds in the Technology Company that held the rights to the Wireless Technology and two purportedly affiliated companies, one that would market the Wireless Technology (Marketing Company) and another that would purchase electricity for resale using the Wireless Technology (Power Broker).

28. In reality, the offering was a scheme to use optimism about the potential technological advances of the Technology Company to siphon investor funds to Randall, the Promoter, and the salespeople. To accomplish this scheme, the Offering Memo falsely presented the Wireless Power three-affiliated-company investment opportunity as the only way to invest in the Technology Company and its Wireless Technology.

29. The Technology Company was aware that persons associated with Wireless Power were seeking to raise money to invest in the Technology Company, but the Technology Company was seeking investments from other sources as well. The Technology Company was also not involved in, much less endorsing, Wireless Power's efforts to raise funds for the purported Marketing Company and Power Broker. The Technology Company's CEO at the time was shocked to later learn that Wireless Power was raising funds for these other entities in connection with its efforts to raise funds for the Technology Company.

30. After investors sent their funds to Wireless Power, and unbeknownst to the investors and in direct contravention of the terms of the Offering Memo, Randall and the Promoter diverted most of the offering proceeds. Often the same day or within days of investors wiring their funds into the Wireless Power bank account, the WP Manager, at the Promoter's direction, transferred the investor funds to undisclosed bank accounts held by the Randall Companies and controlled by Randall, a convicted felon. Randall then further diverted the investor funds by transferring most of the funds to himself, the Promoter, and other entities and individuals, including the salespeople. The Offering Memo did not disclose Randall, his involvement in the offering, or his felony conviction.

31. In furtherance of the scheme, and unbeknownst to investors, Randall also used a shell company he controlled for the Marketing Company, and the Promoter used a shell company he controlled for the Power Broker. Randall and the Promoter then purportedly exchanged shares of their shell companies for investor funds, which they used for their personal benefit or other purposes that the Offering Memo did not authorize. The Promoter also actually or fictitiously issued shares of the Power Broker to family members and the salespeople, and then

Wireless Power purportedly purchased these shares using investor funds. Upon information and belief, the share transactions were not properly documented, if they were documented at all.

32. The Offering Memo did not disclose that Randall, the Promoter, or other persons purportedly held shares of the Marketing Company or the Power Broker, that Wireless Power would be purchasing shares from them or for their benefit, or that Randall, the Promoter, their families, or the salespeople held any interests in the companies. To the contrary, the Offering Memo represents that the Marketing Company and the Power Broker were newly formed companies affiliated with the Technology Company, and investors were led to believe that their funds would be invested in the Target Companies themselves and used as working capital to fund the Target Companies' operations. Yet, the Marketing Company received no investor funds as a result of the offering, and the Power Broker (but not the entity named in Offering Memo, which, upon information and belief, does not exist) received only approximately \$110,000 directly from Wireless Power and \$222,000 from one of the Randall Companies.

33. Of the approximately \$17.2 million raised from Wireless Power investors, approximately \$3.3 million was later returned or refunded to investors, leaving approximately \$14 million available to invest in the Target Companies. Bank records indicate, however, that approximately two-thirds of these funds were misused or misappropriated.

**D. Randall Misused and Misappropriated Investor Funds.**

34. Randall misused and misappropriated investor funds in direct violation of Sections 17(a)(1) and 17(a)(3) of the Securities Act and Section 10(b) of the Exchange Act and Rules 10b-5(a) and 10b-5(c) thereunder.

*1. How investor funds could be used.*

35. The Offering Memo states that Wireless Power would use the proceeds of the offering to purchase “equity” interests in the three “affiliated” Target Companies. The Offering Memo further represents that the Target Companies are “newly formed organizations [that] have no significant financial history,” and that the “primary purpose of this offering is to invest in the [Target Companies] that have been formed to launch” the Wireless Technology.

36. Pursuant to the Offering Memo, “[p]ending application of the net proceeds of this offering, the Company may invest the net proceeds from this offering in short-term, interest-bearing securities.” The Offering Memo represents that “no selling commissions will be paid,” and discloses that the maximum approximate amount of offering expenses would be \$50,000.

37. During an organized investor telephone conference call on or about June 25, 2015 (“Investor Conference Call”), the Promoter described the Wireless Power offering as a first phase of capitalization. A transcript of the Investor Conference Call was posted in the drop box of offering materials, and, upon information and belief, was available to investors through the end of the Relevant Period. Randall attended and spoke to investors during the Investor Conference Call, and he had access to the drop box.

38. The Offering Memo did not authorize or disclose that any investor funds would be: (a) transferred to the Randall Companies; (b) distributed to Randall, the Promoter, or their affiliates or family members; (c) paid to salespeople; (d) used to purchase or create a market for shares in the Power Broker or the Marketing Company held by Randall, the Promoter, the salespeople, or other persons; or (d) used to make loans.

***2. How Randall actually used investor funds.***

39. Randall used the Randall Companies' accounts as a device to misuse and misappropriate investor funds. Randall provided the account information and authorizations necessary for Wireless Power to transfer investor funds to the Randall Companies' accounts. After Wireless Power improperly transferred investor funds to the Randall Companies' accounts, Randall, as signatory on those accounts, caused the investor funds to be further diverted to himself, the Promoter, the salespeople, and for other improper purposes through a series of wires and other bank transactions.

40. Wireless Power, at the Promoter's direction, disbursed approximately \$16.6 million of the \$17.2 million raised from the Wireless Power investors from Wireless Power's bank account to the Randall Companies' bank accounts. The transfers occurred repeatedly throughout the Relevant Period, beginning on about May 15, 2015, and continuing as late as approximately July 11, 2016. The Offering Memo did not authorize or disclose the transfers of investor funds to the Randall Companies, which themselves were not disclosed in the Offering Memo and were controlled by Randall.

41. The investor funds were commingled with other funds in the Randall Companies' accounts, and Randall then caused the Randall Companies to disburse all of the funds in those accounts, including all of the \$16.6 million of investor funds, from the accounts, including by:

a. Randall causing the Randall Companies to disburse approximately \$5.3 million of the investor funds from the Randall Companies' accounts to his personal accounts and to investment accounts that he controlled and used for his benefit. These transfers occurred repeatedly throughout the Relevant Period, beginning on or about May 15, 2015, and continuing

as late as approximately November 9, 2017. Not only were these transfers not authorized or disclosed, the Offering Memo did not even identify Randall.

b. Randall causing the Randall Companies to disburse approximately \$2.2 million of the investor funds from the Randall Companies' accounts to personal and business accounts of the Promoter. These transfers occurred repeatedly throughout the Relevant Period, beginning on or about May 22, 2015, and continuing as late as approximately June 9, 2016. Again, these transfers were not authorized or disclosed in the Offering Memo.

c. Randall causing the Randall Companies to disburse approximately \$1.6 million of the investor funds to pay sales commissions to the salespeople for their work soliciting investors. These payments occurred repeatedly throughout the Relevant Period, beginning on or about June 5, 2015, and continuing as late as approximately October 14, 2016. The Offering Memo did not authorize or disclose the payments to the salespeople, and in fact expressly stated that no selling commissions would be paid in connection with the offering and capped offering expenses at approximately \$50,000.

d. Randall also caused the Randall Companies to disburse investor funds to fund loans, including disbursing approximately \$480,000 between approximately February 5, 2016 and August 17, 2016, to fund loans to an undisclosed third-party company, with interest and principal payable to one of the Randall Companies (and not to Wireless Power or its investors). The Offering Memo did not authorize or disclose the use of investor funds for loans, much less loans payable to one of the Randall Companies.

42. Each of these transfers of investor funds that Randall accepted into the Randall Companies' accounts and each of these transfers of investor funds that he caused to be made out

of those accounts was a deceptive act that Randall committed in furtherance of the scheme. The transfers occurred while the offering was ongoing, and often the same day or within days of investors wiring their funds into the Wireless Power bank account. The transfers enabled Randall and the Promoter to accomplish the purpose of the scheme, which was to cash out the investor funds for their benefit.

43. The bank records do not show any funds distributed from the Randall Companies' accounts to the Marketing Company, and show only approximately \$220,000 distributed from the Randall Companies' accounts to the Power Broker (but not to the Power-Broker entity identified in the Offering Memo, which, upon information and belief, does not exist).

44. Randall did distribute approximately \$4.7 million to the Technology Company from the Randal Companies' accounts. In June 2015, and while Wireless Power was still raising investor funds pursuant to the Offering Memo, Randall, through one of the Randall Companies, entered into an agreement with the Technology Company granting that Randall Company the right to purchase up to two million units of the Technology Company directly. The Randall Company used the \$4.7 million to purchase units in the Technology Company pursuant to this option agreement, which the Offering Memo did not disclose. Upon information and belief, some or all of these units were ultimately transferred to Wireless Power.

45. To date, the SEC's staff has been unable to perform a complete segregation of the distributions from the Randall Companies' accounts as a result of the extensive commingling of investor funds in the Randall Companies' accounts, Randall's failure to maintain and produce adequate books and records, and Randall's refusal to appear and explain the transactions.

46. Randall's misuse and misappropriation of investor funds was material. A reasonable investor would consider the facts that the offering proceeds would not be used as represented and would instead be diverted to undisclosed accounts controlled by a convicted felon, comingled with other funds, and disbursed for the personal benefit of undisclosed individuals and salespeople promoting the offering to be important in deciding whether to invest in the offering.

**E. Randall Used The Marketing Company Deceptively.**

47. Randall engaged in additional deceptive acts relating to the Marketing Company in direct violation of Sections 17(a)(1) and 17(a)(3) of the Securities Act and Section 10(b) of the Exchange Act and Rules 10b-5(a) and 10b-5(c) thereunder.

***1. Randall helped create a false appearance.***

48. Randall was able to obtain investor funds from the scheme because he helped Wireless Power create a false appearance of fact about the Marketing Company that was used to convince Wireless Power investors to invest funds to purchase the Marketing Company's equity interests.

49. Wireless Power falsely presented the Marketing Company as a legitimate and lucrative business. As alleged in more detail at Section F.2 below:

- The Offering Memo represents that the Marketing Company is affiliated with the Technology Company. It was not.
- The Offering Memo represents that the Marketing Company has a Master Distribution agreement with the Technology Company. It did not.



- The Offering Memo states the Marketing Company will provide outside licensing, marketing and sales of the technology globally. It was a shell company and could not.
- The Offering Memo represents that a public offering of shares in the Marketing Company would be the only vehicle available to the public for investment in the Wireless Technology. This representation was false and misleading.
- The Offering Memo projects the Marketing Company would earn approximately \$163 million, \$1.8 billion, and \$3.5 billion in revenues during 2015, 2016, and 2017, respectively. The Marketing Company had no revenue or ability to generate revenue.

50. Randall participated in creating this false appearance of fact. The Promoter provided the Offering Memo to Randall on multiple occasions for his review and comment, including by email on January 9, 2015, and, upon information and belief, the Promoter and Randall also orally discussed the terms of the Offering Memo before it was used in the general solicitation to obtain investor funds. Thus, Randall knowingly authorized and allowed Wireless Power to use the Marketing Company he controlled as one of the Target Companies in the Offering Memo, even though it was a shell company, which, upon information and belief, did not even have a bank account, and he likewise authorized and allowed Wireless Power to, as alleged above and at Section F.2 below, falsely present the Marketing Company and its agreement with the Technology Company in the Offering Memo.

51. Randall also participated in investor calls and investor presentations as a representative of the Marketing Company to perpetuate the false appearance of fact. During the Investor Conference Call, for example, the Promoter introduced Randall as one of the principals

of the Marketing Company, which he described as the marketing entity for all of the Wireless Technology, and stated a future public offering of the Marketing Company's shares would be the only vehicle to invest in a part of the Wireless Technology after the Wireless Power offering. Randall then spoke to the investors, but did nothing to correct this false impression of the Marketing Company, much less disclose that it was, in reality, his shell company.

52. As another example, in approximately early June 2015, Randall, the Promoter, and several salespeople participated in a telephone conference call with an investor in Florida. The investor was told that the Marketing Company had an exclusive marketing agreement with the Technology Company, and that the Wireless Power offering was the only way to invest in the Technology Company, neither of which was true. That latter point was reiterated to the investor in a subsequent telephone conference call on or about June 25, 2015, in which Randall also participated. Randall affirmatively made one or more of these misstatements to the investor, or, at a minimum, he helped create the false impression being advanced by participating on the call as a representative of the Marketing Company and doing nothing to correct it.

***2. Randall engaged in deceptive share transactions.***

53. The Offering Memo stated that Wireless Power would use a percentage of the investor funds to purchase equity interests in the Marketing Company. To further the scheme, Randall disguised his misuse and misappropriation of investor funds as Wireless Power purchases of interests in the Marketing Company. These purported purchases, however, were fictitious or, at a minimum, deceptive, because investors funds were not used to capitalize the Marketing Company, and were instead diverted for Randall's benefit. The principal purpose and effect of the sham sales was to further the scheme by enabling Randall to use his shell

company's worthless shares to obtain investor funds while furthering the false narrative that investors were providing capital to launch an actual marketing company.

54. To illustrate, in June 2015, an investor asked the Promoter for confirmation that Wireless Power possessed the rights to acquire interests in the Marketing Company. In response, on June 17, 2015, the Promoter sent Randall an email asking him to draft and sign a letter on the Marketing Company's letterhead granting options from the Marketing Company to Wireless Power. Randall then executed the requested letter on behalf of the Marketing Company, which was addressed to Wireless Power, and provided it to the Promoter by email on June 19, 2015. The letter states that the Marketing Company owns or controls and has granted Wireless Power the option to purchase 16,000,000 shares of the Marketing Company's common stock at a price of \$1.92 per share. But to the extent Wireless Power purchased any shares (or units) of the Marketing Company, unbeknownst to investors, it purchased them from Randall or other purported Marketing Company shareholders. In short, Randall, through this deceptive letter, created the false impression that the Marketing Company was selling company shares to raise capital, when he knew this was not true.

55. Upon information and belief, there was no valid sale or transfer of the Marketing Company's shares or units to Wireless Power at or around the time of the transfers of investor funds, and Randall has produced no documentation to support any such transactions in response to the SEC's document subpoena during its investigation that preceded the filing of this lawsuit.

**F. Randall Aided and Abetted Wireless Power.**

56. In connection with the offer, sale, and purchase of the Wireless Power units, Wireless Power made material misrepresentations and omissions to investors and engaged in other fraudulent conduct in furtherance of the scheme in direct violation of Section 17(a) of the

Securities Act and Section 10(b) of the Exchange Act and Rules 10b-5(a) thereunder. Randall aided and abetted the violations by providing substantial assistance to Wireless Power.

*1. Misstatements and omissions about the use of funds.*

57. As alleged above, the Offering Memo states that: (a) Wireless Power would use the proceeds of the offering to purchase equity interests in the three Target Companies; (b) the Target Companies are newly formed organizations; (c) the primary purpose of the offering is to invest in the Target Companies that have been formed to launch the Wireless Technology; (d) pending application of the net proceeds of the offering, Wireless Power may invest the net proceeds in short-term, interest-bearing securities; (e) no selling commissions will be paid; and (f) the maximum approximate amount of offering expenses will be \$50,000. In the Investor Conference Call, the Promoter represented the offering was a first phase of capitalization.

58. These statements about the use of investor funds are false and misleading. Wireless Power did not use the investor funds as promised. Instead, the Promoter and Randall diverted most of the investor funds to themselves, to the salespeople as sales commissions, to make loans, and for other purposes not authorized by the Offering Memo as alleged above.

59. Having chosen to make statements to investors in the Offering Memo about how investor funds would be used, Wireless Power also failed to state facts necessary in order to make the statements, in light of the circumstances under which they were made, not misleading. Wireless Power failed to disclose that investor funds would be: (a) transferred to the Randall Companies; (b) distributed to the Promoter, Randall, or their affiliates or family members; (c) paid to salespeople; (d) used to purchase or create a market for the shares of the Power Broker

and the Marketing Company held by Randall, the Promoter, the salespeople, or others persons; and (e) used to make loans.

60. The Offering Memo states that the Target Companies were newly formed, had no substantial financial history, and had been formed to launch the Wireless Technology. But the Offering Memo did not disclose that the Promoter, Randall, and the salespeople purportedly held interests in the Power Broker and/or Marketing Company, and that investor funds would be used to purchase shares from individuals and not disbursed directly to the Power Broker and Marketing Company. This was misleading as it led investors to believe their funds would be used to help launch and capitalize the Power Broker and Marketing Company, when in fact, the funds were going to the Promoter, Randall, and the salespeople.

61. The misstatements and omissions relating to the use of investor funds are material. A reasonable investor would consider the facts that the offering proceeds would not be used as represented and would instead be diverted to undisclosed accounts controlled by a convicted felon and disbursed for the personal benefit of undisclosed individuals and salespeople promoting the offering to be important in deciding whether to invest in the offering.

***2. Misstatements and omissions about the Marketing Company.***

62. The Offering Memo represents that the Technology Company is affiliated with the Marketing Company and the Power Broker, and an offering summary document describes the offering as an investment in “three affiliated companies who have joined.”

63. These statements are false and misleading, because the Technology Company was not affiliated with the Marketing Company or the Power Broker, which were controlled by Randall and the Promoter, respectively.

64. The Offering Memo identifies the projected public offering of shares in the Marketing Company “as the only vehicle available to the public for investment in this new technology” and the offering summary represents that the offering is the “exclusive opportunity to invest in the unique and proprietary ability to deliver disruptive and innovative energy and data technologies on a global scale...” During the Investor Conference Call, the Promoter stated that a future public offering of the Marketing Company would be the only vehicle to invest in a part of the Wireless Technology after the Wireless Power offering.

65. These statements are false and misleading. Wireless Power was not the only opportunity for investors to invest in the Technology Company or its Wireless Technology. During the Relevant Period, the Technology Company was accepting direct investments unrelated to the Wireless Power offering and unconnected to any purported future public offering of the Marketing Company.

66. The Offering Memo represents that the Marketing Company “has a Master Distribution Agreement” with the Technology Company making the Marketing Company “the sole Master Distributor” of the Wireless Technology, and states the Marketing Company “will provide outside licensing, marketing and sales of the technology globally.” Investors were also told orally that the Marketing Company had an exclusive marketing agreement with the Technology Company, including during the call with the Florida investor in approximately early June 2015.

67. These statements are false and misleading. The Marketing Company did not have a Master Distribution Agreement with the Technology Company, and it was not the sole licensed Master Distributor for the Technology. The Marketing Company had an Independent Agency

Agreement with the Technology Company that did not make it a Master Distributor, which expressly stated that the Marketing Company only had rights to market the Wireless Technology on a non-exclusive basis, and confirmed that the parties were independent of each other. The Offering Memo further misleads investors by omitting that that Marketing Company was a shell company in no position to provide outside licensing, marketing and sales of the technology globally.

68. The Offering Memo represents that the WP Manager would represent Wireless Power's interests as a member of the board of directors of the Marketing Company and the Power Broker. This was false and misleading. The WP Manager was never a member of or asked to serve on the board of directors for the Marketing Company or the Power Broker. Upon information and belief, neither the Marketing Company nor the Power Broker even had a board of directors.

69. The Offering Memo includes income projections showing the Marketing Company earning approximately \$163 million, \$1.8 billion, and \$3.5 billion in revenues during 2015, 2016, and 2017, respectively. The projections include line item detail showing millions of dollars of operational costs, including salaries, labor, and office costs, for the Marketing Company in each year.

70. These projections were false and misleading. The Offering Memo omits material and critical facts, including that: (a) the Marketing Company was a shell company with no reasonable ability to fulfill the projected multi-billion dollar business plan; (b) the Marketing Company had only a non-exclusive agreement with the Technology Company; and (c) the Target Companies were not actually working together as affiliates to accomplish the purported business

plan giving rise to the projections. The Offering Memo was also used to solicit investors during 2016, and by that time the statements about the prior time periods imbedded factual misstatements, or at a minimum, were misleading by omission, because substantially none of the stated revenues were achieved or costs incurred.

71. The misstatements and omissions about the Marketing Company were material. The Offering Memo contemplated that Wireless Power would use a minimum of approximately 46.7%, and a maximum of approximately 49.1%, of investor funds to purchase equity interests in the Marketing Company, whose business model was based entirely on monetizing the technology rights that the Technology Company owns. A reasonable investor would therefore consider the facts that the Marketing Company was not actually affiliated with the Technology Company and did not have a master distributor or exclusive arrangement with the Technology Company important in deciding whether to invest.

72. In evaluating the Marketing Company's ability to successfully market the Wireless Technology, a reasonable investor would also consider the facts that the Marketing Company was a shell company and that the WP Manager, who was described in the Offering Memo as an AV-rated attorney, would not in fact be protecting investor interests on its board, to be important in deciding whether to invest. A reasonable investor would likewise consider the fact that it could invest directly in the Technology Company that held the Wireless Technology without diluting their investment dollars to fund Randall's company important in deciding whether to invest

***3. Randall provided substantial assistance.***

73. Randall provided substantial assistance to Wireless Power in the making of the



misrepresentations and omissions to investors about the use of their funds and in accomplishing the scheme to misuse those funds by using his Randall Companies' accounts to accept and distribute investor funds from those accounts for the improper purposes alleged above. Randall's actions were critical to Wireless Power's ability to divert the investor funds and to conceal the diversion of investor funds from investors.

74. Randall also provided substantial assistance to Wireless Power in the making of the misstatements and omissions about the Marketing Company and in creating a false appearance of fact about the Marketing Company in furtherance of the scheme. Randall authorized and allowed Wireless Power to deceptively use and reference the Marketing Company and its non-exclusive independent agency agreement in the Offering Memo and in other solicitations to investors. As alleged above, Randall also participated in investor calls as a representative of the Marketing Company that portrayed the Marketing Company in a false light. Randall also executed and caused the Marketing Company to provide the false and misleading letter indicating that the Marketing Company was selling company shares to Wireless Power.

**G. Randall Acted With Scienter.**

75. Randall had motive and opportunity to commit the fraud. Randall was able to obtain millions of dollars in investor funds for himself as a result of his deceptive acts, including by taking investor funds purportedly in exchange for shares of his shell company that he would not have been able to liquidate for any meaningful value in the absence of the scheme. Randall sent approximately \$5.3 million of investor funds to his personal accounts and to investment accounts that he controlled and used for his benefit.

76. Randall also engaged in the alleged misconduct knowingly or, at a minimum, with severe recklessness. Randall was involved in the development of the Offering Memo and received it early in the Relevant Period. He therefore knew that the Offering Memo did not authorize Wireless Power to transfer investor funds to his undisclosed companies, or at a minimum was severely reckless in ignoring the Offering Memo's terms. For the same reason, Randall knew that the distributions he was making from the Randall Companies' accounts to pay commissions, to fund loans, and to pay himself and the Promoter, among others, were improper, or he was severely reckless in making them in violation of the terms of the Offering Memo.

77. Randall also knew that he was receiving Wireless Power investor funds. The Promoter and WP Manager kept Randall apprised of the flow of investor funds from Wireless Power to the Randall Companies, and Randall received multiple emails from the Promoter and the WP Manager advising him that investor funds were coming into Wireless Power and, upon receipt, would be wired to the Randall Companies' accounts, including a series of emails on or about August 5, 2015 and August 6, 2015.

78. Randall further knew where he was transferring the investor funds, because the transfers are evident on the face of the Randall Companies' bank records, and much of the funds were going to him and the Promoter. He also knew he was paying commissions, because as early as January 23, 2015, the Promoter provided Randall a distribution schedule showing a breakdown of commission payments. He also knew he was funding loans, because the loans were payable to one of the Randall Companies, and he received communications relating to the loans.

79. Randall also knew that Wireless Power continued to raise funds from new investors after the misuse of earlier investor funds, and that these new investor funds would be misused as well. Because the investor funds were moving in and out of the Randall Companies' accounts during the offering, the Promoter was keeping Randall apprised of the efforts to raise funds in the offering, and Randall was participating in investor calls.

80. Randall further knew about, or was severely reckless in ignoring, the false statements that were being made about the Marketing Company in the Offering Memo and during the investor calls. He controlled the Marketing Company, and therefore knew it was a shell company and was not affiliated with the Technology Company. He similarly knew that the WP Manager was not a director of the Marketing Company.

81. Randall also signed the non-exclusive, independent agency agreement on behalf of the Marketing Company, and he therefore knew that it was not an exclusive or master distribution agreement. Randall also knew that Wireless Power was not the exclusive opportunity to invest in the Technology Company, because he knew one of the Randall Companies obtained an option to purchase shares in the Technology Company after the offering commenced, and, upon information and belief, Randall also knew that that the Technology Company was pursuing direct investments from one or more other investor groups.

82. Randall knew that he caused his controlled company to issue a false and misleading letter indicating that the Marketing Company would be selling its shares to Wireless Power.

**H. Wireless Power Acted with Scienter.**

83. The state of mind of Wireless Power's agents, including the Promoter, are

imputed to Wireless Power.

84. The Promoter had motive and opportunity to commit the fraud. The Promoter was, like Randall, able to obtain millions of dollars in investor funds for himself and his family members, including by cashing out worthless shares of a shell company that he would not have been able to liquidate for any meaningful value in the absence of the scheme.

85. The Promoter engaged in the alleged misconduct knowingly. The Promoter prepared the Offering Memo and was familiar with its contents. The Promoter therefore knew that investor funds were being used in a manner that the Offering Memo did not authorize, including that Wireless Power was transferring investor funds to the undisclosed Randall Companies at his direction, that the funds were used for a loan to the Technology Company he was involved in negotiating, and that investor funds were distributed to him, his family members, Randall, and the salespeople. The Promoter knew he was using investor funds to pay commissions, which he expressly acknowledged in emails that he sent to Randall. The Promoter, like Randall, also knew that the Offering Memo continued to be used to raise funds from new investors after the misuse of earlier investor funds and that these new investor funds would be misused as well.

86. The Promoter further knew that the purported Power Broker that he controlled was not affiliated with the Technology Company and that Randall's purported Marketing Company was not either, or he was, at a minimum, severely reckless in making such a claim. He also knew that the WP Manager was not a director for either of those companies, and in fact he never asked the WP Manager to be on the boards of either of the two shell companies, which, upon information and belief, had no boards.

87. The Promoter also knew that Wireless Power was not the exclusive opportunity to invest in the Technology Company or, at a minimum, was severely reckless in claiming that it was, including because: (a) he knew at the time of the offering that Wireless Power did not have a lock up or any other type of exclusivity agreement with the Technology Company, and (b) Randall informed him that one of the Randall Companies obtained options to purchase shares in the Technology Company during the offering. The Promoter further knew that the Marketing Company did not have an exclusive or master distribution agreement with the Technology Company, or at a minimum, was severely reckless in claiming that it did, because the Promoter had seen no such agreement, and because he had the actual, non-exclusive independent agency agreement in his possession.

### **FIRST CLAIM FOR RELIEF**

#### **Sections 17(a)(1) and 17(a)(3) of the Securities Act**

88. The SEC incorporates by reference each and every allegation contained in paragraphs 1-87 above.

89. By engaging in the conduct described herein, Randall, directly or indirectly, singly or in concert with others, in the offer or sale of securities, by use of the means and instrumentalities of interstate commerce and/or by use of the mails has: (a) employed devices, schemes, or artifices to defraud; and/or (b) engaged in transactions, practices, or courses of business which operate or would operate as a fraud or deceit upon the purchasers.

90. With regard to Randall's violations of Section 17(a)(1) of the Securities Act, Randall engaged in the conduct knowingly or with severe recklessness. With regard to Randall's violations of Section 17(a)(3) of the Securities Act, Randall engaged in the conduct knowingly, with severe recklessness, or at least negligently.

91. By reason of the foregoing, Randall violated and, unless enjoined, will continue to violate, Sections 17(a)(1) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(1) and 77q(3)].

**SECOND CLAIM FOR RELIEF**

**Section 10(b) of the Exchange Act and Rules 10b-5(a) and 10b-5(c) thereunder**

92. The SEC incorporates by reference each and every allegation contained in paragraphs 1-87 above.

93. By engaging in the conduct described herein, Randall, directly or indirectly, singly or in concert, by the use of the means or instrumentalities of interstate commerce and/or by use of the mails, in connection with the purchase or sale of securities: (a) employed devices, schemes, or artifices to defraud; and/or (b) engaged in acts, practices, or courses of business which operate or would operate as a fraud or deceit upon purchasers, prospective purchasers, and any other persons.

94. Randall engaged in this conduct knowingly or with severe recklessness.

95. By reason of the foregoing, Randall violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rules 10b-5(a) and 10b-5(c) thereunder [17 C.F.R. §§ 240.10b-5(a) and 240.10b-5(c)].

**THIRD CLAIM FOR RELIEF**

**Aiding and Abetting Violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5(b) Thereunder**

96. The SEC incorporates by reference each and every allegation contained in paragraphs 1-87 above.

97. By engaging in the conduct described herein, Wireless Power, directly or indirectly, singly or in concert with others, in the offer or sale of securities, by use of the means

and instrumentalities of interstate commerce and/or by use of the mails has: (a) employed devices, schemes, or artifices to defraud; and/or (b) obtained money or property by means of untrue statements of a material fact and/or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or (c) engaged in transactions, practices, or courses of business which operate or would operate as a fraud or deceit upon the purchasers.

98. By engaging in the conduct described herein, Wireless Power, directly or indirectly, singly or in concert, by the use of the means or instrumentalities of interstate commerce and/or by use of the mails, in connection with the purchase or sale of securities: (a) employed devices, schemes, or artifices to defraud; and/or (b) made untrue statements of a material fact and/or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or (c) engaged in acts, practices, or courses of business which operate or would operate as a fraud or deceit upon purchasers, prospective purchasers, and any other persons.

99. With regard to Wireless Power's violations of Section 17(a)(1) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, Wireless Power engaged in the conduct knowingly or with severe recklessness. With regard to Wireless Power's violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act, Wireless Power engaged in the conduct knowingly, with severe recklessness, or at least negligently.

100. By engaging in the conduct described above, Randall knowingly or recklessly provided substantial assistance to Wireless Power's violations of Section 17(a) of the Securities

Act [15 U.S.C. § 77q] and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

101. By reason of the foregoing, pursuant to Section 15(b) of the Securities Act and Section 20(e) of the Exchange Act, Randall aided and abetted Wireless Power's violations of, and unless restrained and enjoined will continue to aid and abet violations of, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

### **TOLLING AGREEMENT**

102. Randall executed a tolling agreement with the SEC. The tolling agreement specifies a period of time beginning on February 1, 2020 through April 30, 2020 ("tolling period") during which the running of any statute of limitations applicable to any action or proceeding arising out of the SEC's investigation of Randall's conduct, including any sanctions or relief that may be imposed therein, is tolled and suspended. The tolling agreement further provides that Randall and any of his agents or attorneys "shall not include the tolling period in the calculation of the running of any statute of limitations or for any other time-related defense applicable to any proceeding, including any sanctions or relief that may be imposed therein, in asserting or relying upon any such time-related defenses." The tolling agreement tolled the running of any limitations period or any other time-related defenses applicable to the allegations in this Complaint during the tolling period.

### **JURY TRIAL DEMAND**

103. The SEC demands a trial by jury on all issues that may be so tried.



**RELIEF REQUESTED**

Therefore, the SEC respectfully requests that this Court:

- (a) Permanently enjoin Randall from violating, directly or indirectly, Section 17(a) of the Securities Act [15 U.S.C. § 77q] and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];
- (b) Order Randall to disgorge all ill-gotten gains and/or unjust enrichment realized by him, plus prejudgment interest thereon;
- (c) Order Randall to pay a civil penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and/or Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]; and
- (d) Grant such further relief as this Court may deem just and proper.

Dated: April 30, 2021

Respectfully submitted,

/s/ Keefe M. Bernstein  
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