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8 UNITED STATES DISTRICT COURT  
9 CENTRAL DISTRICT OF CALIFORNIA  
10 SOUTHERN DIVISION

11 SECURITIES AND EXCHANGE  
12 COMMISSION,

13 Plaintiff,

14 vs.

15 THOMAS RUBIN, CHRISTOPHER SCOTT,  
16 BGLR ENTERPRISES, LLC, and E-INFO  
SOLUTIONS LLC,

17 Defendants.

Case No.

**COMPLAINT**

**JURY TRIAL DEMANDED**

18  
19 Plaintiff Securities and Exchange Commission (“Plaintiff” or “Commission”) alleges for  
20 its Complaint as follows:

21 **SUMMARY**

22 1. This matter involves Thomas Rubin (“Rubin”) and Christopher Scott (“Scott”),  
23 two principals of a formerly registered, now-defunct Southern California broker-dealer, Westcap  
24 Securities, Inc. (“Westcap”). From at least early 2006 through late 2007, Rubin and Scott, along  
25 with entities they controlled, BGLR Enterprises, LLC (“BGLR”) and E-Info Solutions, LLC (“E-  
26 Info”) (collectively “Defendants”), engaged in a continuing series of schemes with others to  
27 conduct unlawful unregistered offerings and/or fraudulently manipulate the market for the  
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1 common stock of four microcap companies – Advanced Growing Systems, Inc. (“Advanced  
2 Growing”), Bluefire Ethanol Fuels, Inc. (“Bluefire”), Mattman Specialty Vehicles, Inc.  
3 (“Mattman”) and Straight Up Brands, Inc. (“Straight Up”).  
4

5 2. Rubin and Scott participated in one or more frauds as a part of a fraudulent scheme  
6 involving manipulation of the market for the common stock of numerous microcap issuers, whose  
7 stock often became worthless after the Defendants and other participants in the scheme ceased  
8 their manipulation. The scheme followed a similar pattern with each issuer. The leader of the  
9 manipulation ring (the “ringleader”) took control of a public “shell” corporation, issued large  
10 blocks of shares to himself, his entities, the Defendants and others, and then merged a private  
11 company into the shell corporation through a reverse merger, effectively taking the private  
12 company public.  
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14 3. After the reverse mergers, the Defendants and other members of the manipulation  
15 ring sold some of the shares of the newly formed public entity in two ways: unregistered offerings  
16 to investors via purported private placements; and sales through the public markets. The  
17 Defendants’ receipt and sales of these shares were illegal public distributions; none of the  
18 transactions were registered with the Commission, and none qualified for any exemption from  
19 registration.  
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21 4. The members of the manipulation ring, including at times Rubin and Scott,  
22 artificially supported the stock prices of the issuers following reverse mergers by engaging in a  
23 variety of practices that supported the manipulation, including stock promotional activity, the  
24 manipulative practice of “bid support,” deceptive trading in multiple accounts, coordinated  
25 trading, and controlling the float. Rubin participated in the scheme by engaging in various  
26 manipulative activities including coordinated and matched trading activity, and by raising money  
27 for the issuers by soliciting investors to purchase interests in the manipulated companies. Scott  
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1 communication in interstate commerce, and the mails, in connection with the acts, practices, and  
2 courses of business set forth in this Complaint.

### 3 DEFENDANTS

4 9. **Thomas Rubin**, age 42, is a resident of Lake Forest, California. From July 2001  
5 to December 2008, Rubin was Westcap's CEO and owned 70% of Westcap. Rubin, as a 70%  
6 owner of Westcap, received a large percentage of Westcap revenue, including commissions and  
7 consulting fees. Rubin currently holds Series 7, 24, and 63 licenses.

8 10. **BGLR Enterprises, LLC** ("BGLR") is a Nevada limited liability company with  
9 its principal place of business in Lake Forest, California at Thomas Rubin's residence. BGLR's  
10 current registration status with Nevada is listed as revoked. It purports to be an investment  
11 banking and consulting firm. Tom Rubin owns 100% of BGLR and, during the relevant period,  
12 had sole trading authority in BGLR's trading accounts. BGLR is not registered with the  
13 Commission in any capacity.

14 11. **Christopher Scott**, age 36, is a resident of Laguna Niguel, California. Scott is  
15 currently a registered representative at Salt Spray Capital, a California broker-dealer of which he  
16 is the sole member. From November 2002 to March 2007, Scott was Westcap's CCO. From  
17 March 2007 to the present, Scott has served as the CFO of Bluefire Ethanol Fuels, Inc. Scott  
18 currently holds Series 4, 7, 24, 27, 53, 55, and 63 licenses.

19 12. **E-Info Solutions, LLC** is a Nevada limited liability company with its principal  
20 place of business in Laguna Niguel, California at Christopher Scott's residence. It purports to be  
21 an estate planning company. Scott owns 100% of the company, and he and his wife are the  
22 company's sole two members. During the relevant period, Scott had sole trading authority in E-  
23 Info's trading accounts. E-Info is not registered with the Commission in any capacity.

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## THE TARGETED ISSUERS

13. **Advanced Growing Systems, Inc.** (“Advanced Growing”) is a Nevada corporation with its principal place of business in Alpharetta, Georgia. Its securities are registered with the Commission under Section 12(g) of the Exchange Act [15 U.S.C. § 78l(g)]. Advanced Growing purports to manufacture and sell organic fertilizer. Advanced Growing’s securities are dually quoted on OTC Bulletin Board and the OTC Link (formerly, “Pink Sheets”) operated by OTC Markets Group Inc. (“OTC Link”) under the symbol “AGWS.”

14. **Bluefire Ethanol Fuels, Inc.** (“Bluefire”) is a Nevada corporation with its principal place of business in Irvine, California. Its securities are registered with the Commission under Section 12(g) of the Exchange Act [15 U.S.C. § 78l(g)]. Bluefire purports to be a provider of technology for the conversion of bio-waste to ethanol. Bluefire’s securities are dually quoted on the OTC Bulletin Board and the OTC Link under the symbol “BFRE.”

15. **Mattman Specialty Vehicles, Inc.** (“Mattman”) is a Nevada corporation with its principal place of business in Irvine, California. In December 2006 it changed its name to Remote Surveillance Technologies, Inc., and again changed its name to Stratera, Inc. in July 2008. The company purports to deliver security systems and services. Its stock was quoted on the OTC Link under the symbol “MMSV” during the relevant time period.

16. **Straight Up Brands, Inc.** (“Straight Up”) is a Delaware corporation based in New York, New York. Straight Up purports to be a marketing firm for celebrity-branded wine and spirits. It is quoted on the OTC Link under the symbol “STRU.”

## FACTS

### Overview of the Scheme

17. As detailed below, Rubin, Scott and others implemented comprehensive and sophisticated schemes to conduct illegal, unregistered offerings and/or to manipulate the stock of four companies: Advanced Growing, Bluefire, Mattman and Straight Up. Although the manipulations occurred during different but overlapping time periods, the scheme followed a similar pattern with each issuer and involved the same group of participants.

18. Each of the initially privately-held companies was taken “public” by a reverse merger into a publicly traded “shell” corporation. First, the ringleader took control of a publicly traded “shell” and large blocks of shares in the “shell” corporation were allocated to entities controlled by the ringleader as part of illegal, unregistered offerings. Then a private company was reverse-merged into the public shell. Following the reverse mergers, the ringleader transferred many of the shares that he controlled to members of the ring, including at times Rubin and Scott and the entities that they controlled. Rubin, Scott, and other members of the manipulation ring then sold these shares for substantial profits. Defendants’ receipt and sales of these shares were illegal public distributions; none of the transactions were registered with the Commission, and none qualified for any exemption from registration.

19. In addition to selling their own shares, Rubin and Scott used Westcap to solicit investors to purchase shares of these newly-created companies through purported private placements. Investors solicited through these offerings received offering memoranda or subscription agreements. These documents failed to inform investors of numerous material facts, including: the criminal and regulatory histories of individuals who played key roles in offering the shares, in particular the extensive criminal history of the ringleader, whose multiple criminal convictions included a conviction for securities fraud; the fact that the members of the

1 ring controlled the stock's float and planned to coordinate manipulative trading; and that the  
2 stock prices likely would fall in the future when those involved in the scheme sold their  
3 substantial holdings and ceased their manipulative trading.

4           20. The participants in the manipulation ring further schemed to artificially support the  
5 stock prices of the issuers after the reverse mergers by engaging in a number of practices that  
6 supported the manipulation, including promoting the stocks to create artificial public demand  
7 for the securities, "bid support," trading in multiple accounts, coordinated trading, and  
8 controlling the float. As a part of the scheme, Rubin personally engaged in various  
9 manipulative activities including coordinated and matched trading activity, and Scott similarly  
10 personally engaged in a number of manipulative activities including assuming trading authority  
11 and control over multiple accounts to conduct coordinated trading activity.

12           21. The practice of "bid support" involved placing orders at or near the best bid and  
13 ask prices with the intent to stabilize or increase share prices.

14           22. The members of the ring placed "buy" orders for stock at prices immediately  
15 below the "inside," or highest, bid price posted by the market makers. For example, if the  
16 highest bid posted by a market maker was \$1.50, the members of the ring might place orders at  
17 \$1.45, \$1.40, and \$1.35, often for small amounts of stock.

18           23. These orders had two purposes. First, the members of the ring intended to create  
19 an artificial floor price for the stock when there was increased selling in the market; the  
20 members of the ring expected that the supporting orders would absorb some of the sell orders so  
21 that the stock prices would not fall dramatically. Second, the members of the ring placed the  
22 orders through different brokerage firms so that market participants would see a substantial  
23 number of bids and conclude that there was greater demand for the stocks than truly existed.  
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1           24.     The overall manipulation strategy relied upon controlling the “float”— the total  
2 shares available for investors to trade for a particular stock. As part of the overall scheme, the  
3 members of the ring ensured that they controlled the vast majority of shares that could be traded  
4 in the public marketplace.

5           25.     The members of the ring controlled the float so that shares would not be “dumped”  
6 or sold into the market and decrease the stock’s price while they were selling their shares into  
7 the market. By exercising this control over the float, Scott and other individuals who at times  
8 were responsible for trading the collective shares of the group could artificially limit the supply  
9 of stock available for public sale to increase its market price.

10           26.     The manipulation materially affected the market for numerous stocks and,  
11 following the manipulation, most of the stocks became almost worthless. During the period in  
12 which the stocks were manipulated, Rubin, Scott and other members of the scheme dumped their  
13 own shares into the market, reaping substantial profits. Most of the stocks followed a trajectory  
14 in which they peaked in price on or about the day the members of the ring began trading the stock  
15 and spiked intermittently throughout the scheme, though generally losing value overall – and then  
16 dropping completely once the scheme ended.

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19     **The Mattman Specialty Vehicles Manipulation**

20           27.     The Defendants and others manipulated the stock of Mattman in the manner  
21 described above. In particular, Mattman was taken public through a reverse merger transaction in  
22 January 2006. In connection with the reverse merger, Westcap, through Rubin and Scott, was  
23 retained to serve as placement agent for a planned offering beginning at the end of February 2006.

24           28.     Typically, the stock certificates for securities acquired in an unregistered, private  
25 sale from a public company or someone affiliated with a public company bear a restrictive legend  
26 on the face of the certificate stating that the security may not be resold in the public marketplace  
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1 unless the sale is exempt from registration requirements. Broker-dealers generally will not  
2 effectuate a sale of a security whose stock certificate bears a restrictive legend. These restrictive  
3 legends can only be removed by a transfer agent, who usually first requires a legal opinion from a  
4 lawyer.

5  
6 29. Prior to the Mattman reverse merger transaction, the ringleader unlawfully issued  
7 large blocks of shares in the Mattman “public shell” not bearing a restrictive legend to himself  
8 and his entities, which became Mattman shares (also not bearing a restrictive legend) upon  
9 completion of the reverse merger. The shares were improperly issued without a restrictive legend  
10 and without registering the offering or having an available exemption from the registration  
11 requirements of the Securities Act.

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13 30. The ringleader then transferred these shares to entities and individuals that he  
14 controlled. One of the individuals then transferred 500,000 of these shares to Rubin’s entity,  
15 BGLR. These transfers were unlawful because they were unregistered and had no available  
16 exemption.

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18 31. Shortly after the shares were distributed, the reverse merger was consummated and  
19 BGLR then held 500,000 Mattman shares not bearing a restrictive legend. As described below,  
20 Rubin and the other participants in the scheme then employed a series of manipulative activities  
21 designed to artificially inflate the price of Mattman’s stock.

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23 32. Consistent with the operation of the scheme described above, in order to stimulate  
24 public demand for the stock, Mattman, through the ringleader, retained a firm to provide “investor  
25 relations” services (the “IR Firm”). Mattman coordinated with the IR Firm to issue a series of  
26 press releases beginning on January 30, 2006. Rubin and Scott reviewed a number of these  
27 releases, including Mattman’s March 2, 2006, March 9, 2006 and March 22, 2006 releases,  
28 announcing supposedly material transactions for the company.

1           33.     The promotional releases encouraged investment in Mattman while failing to  
2 inform investors that individuals working with the issuer, including Rubin through BGLR, had  
3 received a substantial amount of Mattman’s shares and intended to sell those shares into the  
4 demand created by the releases.

5           34.     During this period, Rubin began selling the Mattman shares he received through  
6 BGLR. From February 7, 2006 to February 15, 2006, Rubin sold approximately 32,000 shares  
7 for proceeds of approximately \$80,000. These transactions were unregistered and no available  
8 exemption applied.

9           35.     On February 15, 2006, Rubin sold shares in “matched trades” to the scheme’s  
10 ringleader in an account of an entity that the ringleader controlled at a Boca-Raton-based broker-  
11 dealer. This matched trade, also called a cross trade by Rubin, was a coordinated trade where  
12 Rubin sold shares into the market while the ringleader, using a different brokerage firm,  
13 purchased the exact same number of shares at the exact same price. The purpose of the matched  
14 trade was for Rubin to receive money for his shares and to create the false appearance of demand  
15 for the stock and artificially increase Mattman’s stock price.

16           36.     Despite selling a portion of his Mattman shares for about \$80,000, Rubin was  
17 dissatisfied with his profits. Rubin illustrated this frustration in a February 27, 2006 email to the  
18 ringleader:  
19

20                   [t]he cross trade has not gone down as you said you would do it on Friday. It did not  
21 happen today. I have been waiting several weeks for this. The reality of the situation is  
22 that you have pulled 700k out of mattman so far and I have pulled out 80k. Does this  
23 seem right? Please do the cross of \$62,500 to even things up a bit. If you are not going to  
24 do the cross trade, you need to call me so I can make alternate arrangements.

25           37.     The ringleader replied, “one has nothing to do with the other. Crosses will be done  
26 as soon as I can get them done . . . [you have] my commitment that we will even this up.”  
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1           38.     On February 27, 2006, Mattman offered 3 million shares (bearing a restrictive  
2 legend) for \$1.00 per share, purportedly offered only to accredited investors. Later, in May, the  
3 offering price was lowered due to a lack of investor interest. The offering memorandum stated  
4 that Westcap would serve as the placement agent for the offering, and would earn 15%  
5 commissions. Westcap subsequently began soliciting investors to purchase Mattman shares in the  
6 offering.  
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8           39.     Investors solicited in the Mattman offering received offering memoranda or  
9 subscription agreements. These documents failed to inform investors of numerous material facts,  
10 including: the criminal and regulatory histories of individuals who played key roles in offering  
11 the shares, in particular the extensive criminal history of the ringleader, whose multiple criminal  
12 convictions included a conviction for securities fraud; the fact that the members of the ring  
13 controlled the stock's float and planned to coordinate manipulative trading; and that the stock  
14 prices likely would fall in the future when those involved in the scheme sold their substantial  
15 holdings and ceased their manipulative trading.  
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17           40.     At the time when Westcap began soliciting investors to purchase Mattman shares  
18 bearing a restrictive legend, Mattman's publicly-traded stock price was well over \$1.00 per share  
19 because of the manipulative activities of Rubin and others. This was critical to the success of the  
20 Mattman private offering because it created a false impression for investors in the offering that  
21 they were purchasing Mattman shares at a discount to its publicly-traded stock price.  
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23           41.     On March 28, 2006, the IR Firm released an "Analytical Profile" of Mattman.  
24 The so-called "Analytical Profile" appears similar in format and substance to a report by a  
25 financial analyst covering a particular security. The report was disseminated to public investors  
26 through an electronic mailing list attached to an email claiming that the IR Firm was "initiating  
27 coverage" of Mattman. The substance of the report was also disseminated through a March 29,  
28

1 2006 Mattman press release, which provided a link to the free report. The profile includes, along  
2 with a purported “analysis” of the security, a so-called “12-month target value” for Mattman’s  
3 stock price of more than \$4.50 per share, a projected one-year increase of approximately 125%.

4 42. Prior to its release, the report was reviewed and edited by the ringleader. On  
5 March 29, 2006, the report was forwarded to Rubin and Scott by the ringleader to “add it to your  
6 marketing materials,” noting that the promotional materials “have the stock moving in a positive  
7 direction, which should make it easier to get the money in.” The report did not note that  
8 individuals working with the issuer, including Westcap’s principal Rubin, had received through  
9 his entity a substantial amount of Mattman’s shares and intended to sell those shares into the  
10 demand created by the report, at prices substantially less than the price projections contained in  
11 the report.  
12

13 43. On March 29, 30, and 31, 2006, Rubin, through BGLR, sold an additional 26,150  
14 Mattman shares for proceeds of nearly \$60,000. These sales occurred at prices well below the  
15 \$4.50 per share price projected in the March 29, 2006 release. These transactions were also  
16 unregistered, and no available exemption applied.  
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18 44. Rubin made the above sales of Mattman shares while his firm, Westcap, was  
19 soliciting investors to purchase Mattman shares bearing a restrictive legend in the purported  
20 private placement. These investors did not know that Rubin was concurrently selling Mattman  
21 shares into the marketplace for significant profits.  
22

23 45. From March 6, 2006 to May 25, 2006, Westcap sold a total of 233,500 Mattman  
24 shares in the offering to thirteen different investors, earning over \$35,000 in commissions for  
25 Westcap. Westcap, Rubin and Scott received money—in the form of commissions and  
26 consulting fees—as a result of the omissions in the offering memoranda or subscription  
27 agreements.  
28

1           46.     Rubin expressed concern over what he saw as a failure by other scheme members  
2 to make enough manipulative purchases needed to further the scheme and complained that he was  
3 being required to cover for any shortcomings in the manipulative trading. Rubin complained to  
4 the ringleader that he, and not Rubin, should conduct the manipulative trading. On February 2,  
5 2006, Rubin wrote:

7           Our conversation after the close today (WED) was disturbing to me for several  
8 reasons. 1. If we were net buyers today it would mean that we sold yesterday at \$2  
9 and are buying back at a higher price. That makes no sense. 2. ***my job is to bring in***  
10 ***all the money and yours to cover the bid (emphasis added)***. There were 4 people on  
11 the bid all day. Not all could have been us. we had to have sold plenty. 3. if I am  
12 getting this right, with you having all the stock, me and the clients were helping you  
13 cover the bid - not our job. An explanation to these questions would be appreciated  
14 because I find it hard to believe that with several hundred thousand shares traded, I  
15 bought. If this continues, the only acceptable solution will be to do all the trading  
16 from Westcap so I can see what is happening every day.

17           47.     The ringleader replied, “Tom, then you keep the stock price up. You . . . have  
18 caused me nothing but headaches on this and I am in no mood to put up with this s\*\*t.”

19           48.     “Covering the bid” as used by Rubin refers to a manipulative practice of entering  
20 buy orders in a stock to ensure that, in the event of increased selling in that stock, the bid would  
21 not drop significantly, and would remain at an artificially inflated level.

22           49.     As the manipulative practices of Rubin and the other scheme participants ceased,  
23 the price of the stock collapsed, from nearly \$3 per share in February 2006 to \$.05 per share in  
24 September 2006. In August and September, 2006, Rubin, through BGLR, sold his remaining  
25 441,782 Mattman shares for \$29,193 in proceeds. These transactions were unregistered and no  
26 available exemption applied.

### 27 **The Bluefire Manipulation**

28           50.     Beginning in late 2005, Rubin and the ringleader worked together to identify a  
public shell so that Bluefire, a privately-held company, could conduct a reverse merger. In a May

1 16, 2006 email, the ringleader directed Rubin and others to “get on the same page. We are buying  
2 a symbol and some shareholders. There are two keys to making a shell work: does it have a  
3 current listing on Pink Sheets – which it does, and is the stock tight, which it is.” The reference to  
4 the stock being “tight” referred to having a small number of individuals control the public float of  
5 the stock to facilitate manipulation of the stock by constricting supply.  
6

7 51. The ringleader explained to Rubin and Scott that to control Bluefire’s public float:  
8 “[w]e will raise \$1 million for the shell . . .there will be 20 million shares outstanding with 2  
9 million shares in the float. We will own all but 40,000 shares of the float . . .”

10 52. The ringleader also detailed the plan for the stimulation of buying volume through  
11 dissemination of “press releases . . . in the first thirty days of trading.”

12 53. The ringleader also instructed Rubin and Scott to “work . . . on friends and family  
13 buying which is imperative for the opening of the stock so a solid base of shareholders support is  
14 established.”

15 54. The reference to “work[ing] on friends and family buying” refers to identifying  
16 and persuading friendly individuals to publicly purchase Bluefire stock during the first days of  
17 active trading to create the artificial impression of demand in the security.  
18

19 55. Rubin and the ringleader ultimately identified a public shell candidate to be  
20 Bluefire’s public shell. As expressly provided in the reverse merger agreement, Rubin’s entity,  
21 BGLR, was paid a “consulting fee” of \$100,000 by the public shell.  
22

23 56. On June 22, 2006, the ringleader had the shell issue approximately 4 million shares  
24 in the public shell without restrictive legends to companies he controlled, in two 2 million share  
25 certificates. The shares were issued without restrictive legends based upon an attorney opinion  
26 letter that contended the shares were exempt from registration. However, contrary to the  
27 assertions in the letter, the transactions did not qualify for the exemption.  
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1           57.     Rubin and others solicited investors to purchase these shares in the public shell,  
2 which the ringleader controlled. The sales raised approximately \$1 million, and the shares would  
3 become Bluefire shares not bearing a restrictive legend upon completion of the reverse merger.

4           58.     The same day that the ringleader had the 4 million shares issued, he opened two  
5 brokerage accounts at Westcap in the name of two of the ringleader's entities, TBeck Capital, Inc.  
6 ("TBeck") and Victoria Financial Consultants, LLC ("Victoria Financial"). At this same time,  
7 Scott opened approximately 25 different accounts at Westcap in the names of the investors who  
8 purchased shares (that did not contain restrictive legends) in the "public shell." On July 6, 2006,  
9 the reverse merger was completed, and the ringleader transferred 1.9 million Bluefire shares into  
10 one of the entity accounts at Westcap, and five days later, transferred all of these shares to the 25  
11 different "investor" accounts at Westcap. These accounts included accounts in the name of  
12 BGLR (645,000 shares), Rubin's entity, and Pacific Re Ventures, an entity controlled by Scott  
13 (20,000 shares).

14           59.     Scott directed the delivery of these shares to the Westcap accounts by drafting a  
15 letter identifying the accounts that needed to receive shares. Scott also served as the registered  
16 representative on these accounts.  
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18           60.     Later, the ringleader discussed with Rubin and Scott that the circumstances of the  
19 distribution undermined any claim of exemption to the registration requirements: "The problem  
20 is when we make transfers immediately to investors that shows a lack of investment intent and we  
21 begin to act like a statutory underwriter."  
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23           61.     In July 2006, Westcap entered into an "Investment Banking Agreement" with  
24 Bluefire whereby Westcap would assist the company with any "private placements . . . merger,  
25 consolidation, or other combination," "introduce the Company to suitable Investors or  
26 Purchasers," and "develop a general marketing and negotiating strategy" for any transactions in  
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1 exchange for a percentage of the amounts Westcap raised for Bluefire. The agreement was  
2 signed on Westcap's behalf by Rubin.

3 62. Following the July 6, 2006 completion of the reverse merger, virtually all of the  
4 accounts that received the Bluefire shares, including the BGLR and Pacific Re Ventures accounts,  
5 began selling them into the marketplace. From July 6, 2006 to December 21, 2006, Rubin,  
6 through BGLR sold 164,227 of these shares for approximately \$688,000, and in July 2006, Scott,  
7 through Pacific Re Ventures sold its 20,000 BFRE shares for approximately \$106,000. These  
8 transactions were unregistered and no available exemption applied.

9 63. At the same time the Defendants were selling their stock, Bluefire issued a series  
10 of press releases beginning in early July 2006 in order to stimulate public demand. Rubin and  
11 Scott reviewed a number of these releases, including the initial Bluefire press release. The July  
12 11, 2006 initial release contended, among other things, that "[a]s a part of the process of going  
13 public, several Biorefinery project development and engineering assets have been contributed to  
14 BlueFire valued at over \$16,000,000." Using these "strategic assets," the release proclaimed that  
15 "BlueFire expects to grow the company's revenues to over \$10 billion per year domestically."

16 64. Bluefire did not file audited financial statements with the Commission until early  
17 2007. According to those audited financial statements, and contrary to the representations in the  
18 July 11, 2006 release, Bluefire had assets of only approximately \$32,000 (offset by over \$180,000  
19 in liabilities) as of the end of 2006, and from its March 2006 inception through the end of 2006,  
20 had no revenues whatsoever.

21 65. The July 11, 2006 release, as well as subsequent releases of July 13, 2006, July 19,  
22 2006, July 31, 2006 and August 29, 2006, named Westcap and Rubin, as the company's  
23 investment banker. The releases did not note that Westcap's principals, Rubin and Scott, had  
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1 personally acquired a substantial amount of Bluefire's shares and would be selling those shares  
2 into the demand created by the releases.

3           66. The releases were disseminated consistent with the schedule created by the  
4 ringleader and circulated to Rubin, Scott, and others, on July 6, 2006. The schedule reflected a  
5 detailed plan for the manipulation of the stock, including "mak[ing] sure that [the individual  
6 responsible for promotional releases] is set up for press releases and automatic links to database  
7 for email alerts. . . . Provide [the individual responsible for promotional releases] with a list of  
8 investors, potential investors and general contacts for him to enter into the database for purposed  
9 of the automatic email alert." The plan also contemplated an opening press release, along with  
10 subsequent releases, with each being circulated for review by the ringleader. Upon the opening of  
11 trading, the ringleader was responsible for "[a]djust[ing] bid and ask to reflect \$2 bid and \$2.25  
12 ask," while all members of the ring were responsible for contacting investors to "let[] them know  
13 that we will trade on Wednesday." Scott, along with the ringleader, was responsible for  
14 "[c]oordinat[ing] trading of stock so as to ensure ourselves of demand being filled, but allowing  
15 for an increasing stock price." Rubin and others were responsible for "[c]oordinat[ing] PR,  
16 tombstones, etc., so as to get maximum exposure for the company in the general press." The  
17 schedule concluded, "[h]ere's to a great opening."

18           67. The scheme to manipulate the price of Bluefire stock was very successful. The  
19 trading volume in Bluefire on July 11, 2006 was over 629,000 shares, the highest single-day  
20 trading volume in the history of the stock. The stock closed at a price of over \$6 per share,  
21 artificially bloating Bluefire's market capitalization to over \$185 million.

22           68. Notwithstanding Rubin's ongoing selling activity through the account of BGLR  
23 during the period of the fraud, on the day of the July 11, 2006 release and again on the next day,  
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1 BGLR purchased Bluefire stock to create the appearance of demand for the stock. Scott  
2 contemporaneously sold Bluefire stock for the Westcap client accounts that he controlled.

3 69. Numerous public investors purchased Bluefire stock at artificially inflated prices  
4 based on materially false and misleading information about the company disseminated as a part of  
5 the fraudulent scheme.

6  
7 70. To further conceal the scheme, Scott drafted a letter responding to an inquiry from  
8 the National Association of Securities Dealers Regulation claiming that Westcap had “no list of  
9 individual(s) or entities that participated in a BFRE private placement, as Westcap did not assist  
10 in any private placement.” The letter misleadingly failed to describe Rubin and Scott’s  
11 substantial role in bringing Bluefire public and the subsequent unregistered distribution of  
12 Bluefire shares, including Rubin’s solicitation of two Westcap customers to buy shares in the  
13 “public shell” in April of 2006, the “consulting” arrangement with BGLR, as well as the  
14 “investment banking” agreement with Westcap and Bluefire.  
15

16 71. Rubin continued the unregistered distribution of Bluefire’s shares by transferring  
17 BGLR’s remaining Bluefire shares to his own personal account, and to accounts controlled by  
18 Scott. On December 7, 2006, Rubin transferred 150,000 shares to his own personal brokerage  
19 account; 25,000 shares to Scott’s entity, E-Info Solutions; and 16,653 shares to BGLR. Scott  
20 paid no money for the shares he received from Rubin.  
21

22 72. Defendants then sold portions of these shares for substantial profits. From May  
23 2007 through December 7, 2007, Rubin sold 41,950 these shares for approximately \$205,077, and  
24 from January 2007 through May 21, 2007, E-Info Solutions sold 11,000 BFRE shares for  
25 approximately \$69,056. These transactions were unregistered and no available exemption  
26 applied.  
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1           73.     Beginning in March 2007, Scott served as an officer for Bluefire, its Chief  
2 Financial Officer, and maintained this position while participating in the manipulation of Bluefire  
3 as well as several other issuers described herein.

4           **The Advanced Growing Manipulation**

5           74.     In early 2006, the ringleader began working with Rubin and Scott through  
6 Westcap on another reverse merger, this time involving a company called Advanced Growing.  
7 This offering followed a similar chronology of events: Rubin and the ringleader worked together  
8 to identify and acquire a public shell; Rubin and others solicited investors to purchase shares in  
9 the public shell; the members of the ring manipulated the price of the stock by orchestrating a  
10 misleading publicity campaign, exercising dominion and control over Advanced Growing's float,  
11 and by engaging in manipulative trading; and Westcap sold interests in an Advanced Growing  
12 private placement to further the manipulative scheme. Between June 29, 2006 and December 17,  
13 2006, Westcap raised \$952,000 from investors in the Advanced Growing offering and earned  
14 approximately \$142,800 in commissions.

15           75.     In June 2006, Advanced Growing entered into an "investor communications"  
16 consulting agreement with the IR Firm. Despite the fact that Advanced Growing was  
17 headquartered in Alpharetta, Georgia, the address listed for Advanced Growing on the agreement  
18 was 18201 Von Karman, Suite 550, Irvine, CA 92612 – Westcap's address. The Agreement was  
19 signed by Advanced Growing's CEO, an individual who had previously worked for Westcap as a  
20 registered representative from December 2003 through May 2006.

21           76.     In order to stimulate public demand for the stock, Advanced Growing worked with  
22 the IR Firm to issue a series of press releases beginning in July 2006. Rubin and Scott reviewed a  
23 number of these releases, including the initial Advanced Growing press release. That July 20,  
24 2006 initial release, as well as subsequent releases of July 25, 2006, August 3, 2006, August 9,  
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1 2006 and August 29, 2006, listed Westcap, as represented by Rubin, as the company's investment  
2 banker. The releases did not note that Rubin had been given a substantial amount of Advanced  
3 Growing's shares bearing a restrictive legend. By failing to provide this information, the releases  
4 created the misleading impression that an independent investment banking firm had evaluated the  
5 merits of Advanced Growing and agreed to serve as an underwriter for the company's offering.

6  
7 77. As with the Bluefire manipulation, the releases were disseminated consistent with  
8 the schedule created by the ringleader and circulated to Rubin, Scott, and others, on July 8, 2006.  
9 The schedule reflected a detailed plan for the manipulation of the stock, including "mak[ing] sure  
10 that all free trading stock has been deposited for clearing. . . Mak[ing] sure that [the individual  
11 responsible for promotional releases] is set up for press releases and automatic links to database  
12 for email alerts. . . Provide [the individual responsible for promotional releases] with a list of  
13 investors, potential investors and general contacts for him to enter into the database for purposes  
14 of the automatic email alert." The plan also contemplated an opening press release, along with a  
15 second and third release, with each being circulated for review by the ringleader. Upon the  
16 opening of trading, the ringleader was responsible for "[a]djust[ing] bid and ask to reflect \$1.75  
17 bid and \$2.00 ask," while all members of the ring were responsible for contacting investors to  
18 "let[] them know that we will trade on Wednesday." The schedule again concluded, "[h]ere's to a  
19 great opening."  
20  
21

22 78. While Westcap solicited investors in the Advanced Growing offering, Scott  
23 manipulated Advanced Growing's stock price. On July 18, 2006, the ringleader delegated trading  
24 authority to Scott to carry out the Advanced Growing manipulation, stating that "Chris Scott [will  
25 be] given trading authority on all of the TBeck, Victoria [Financial] and Warren Street  
26 accounts... Chris has authority to buy in the TBeck accounts, as well as sell, in order to protect  
27  
28

1 the bid.” Warren Street Investments, Inc. (“Warren Street”) was also an entity controlled by the  
2 ringleader.

3 79. On July 26, 2006, the ringleader directed Rubin and Scott to trade Advanced  
4 Growing from multiple accounts at different broker-dealers to create the appearance of volume,  
5 and to avoid detection of manipulative trading:  
6

7 You have plenty of stock in the [Broker-Dealer A], Westcap and [Broker-Dealer B]  
8 accounts to handle what we will sell in the first 30 days. I [also] suggest you bid the stock  
9 in the [Broker-Dealer C] account and sell from the other accounts and we will net at  
10 [another account]. This will allow you to not be buying and selling from the same  
11 account. This is the way I normally trade . . .we will have to carry the ball tomorrow with  
12 our friends and family buying since the IR [Investor Relations] guys don’t kick off until  
13 tomorrow night for Friday and another group starts Tuesday.

14 80. Pursuant to the plan, Scott was to engage in coordinated buying and selling  
15 activity from various accounts controlled by members of the ring in order to maintain the stock  
16 price at an artificially inflated level and/or to create a false impression of market activity.  
17

18 81. The very next day, July 27, Scott carried out the coordinated trading by making  
19 two 1,000 share purchases of Advanced Growing through a Victoria Financial account at Broker-  
20 Dealer C, while on that same day, selling Advanced Growing shares through TBeck accounts at  
21 Westcap and Broker-Dealer A. During each of the next three days, Scott purchased Advanced  
22 Growing shares through the Victoria Financial account at Broker-Dealer C , while selling  
23 Advanced Growing shares through TBeck accounts at Westcap and Broker-Dealer A. During this  
24 time, Advanced Growing’s stock price remained stable in the range of \$1.60 to \$1.70 per share  
25 despite the net sales of the ring.  
26

27 82. Scott not only executed the trading, but also reported back to the group with the  
28 results. On both July 27 and July 28, 2006, Scott emailed the ringleader, Rubin, and others a  
detailed summary of the Advanced Growing trading in the TBeck and Victoria Financial accounts  
at Westcap, Broker-Dealer C and Broker-Dealer A. On August 2, 2006, Scott emailed an  
additional summary of the previous days’ trading in those accounts, and also described dividing

1 up any profits from the coordinated trading by writing “any amounts over and above the ‘net’  
2 payouts go back to the . . . [a]ccount at [Broker-Dealer C] to cover all the buys.”

3 83. Scott discussed with the ringleader and Rubin that the trading Scott undertook in  
4 Advanced Growing was for the purpose of keeping Advanced Growing’s stock within a certain  
5 range, and noted that maintaining a stable price was crucial to the success of Westcap’s Advanced  
6 Growing private placement. On August 2, 2006, Scott wrote: “I have not put in any orders below  
7 \$1.50, and today \$1.60 . . . ultimately, Westcap still needs to raise the rest of the money for the  
8 Offering, so we need the stock to stay at least in the \$1.50 range.”

9  
10 84. Investors solicited in the Advanced Growing offering received offering  
11 memoranda or subscription agreements. These documents failed to inform investors of numerous  
12 material facts: the criminal and regulatory histories of individuals who played key roles in  
13 offering the shares, in particular the extensive criminal history of the ringleader, whose multiple  
14 criminal convictions included a conviction for securities fraud; the fact that the members of the  
15 ring controlled the stock’s float and planned to coordinate manipulative trading; and that the stock  
16 prices would fall in the future when those involved in the scheme sold their substantial holdings  
17 and ceased their manipulative trading. Westcap, Rubin and Scott received money—in the form of  
18 commissions and consulting fees—as a result of the omissions in the offering memoranda or  
19 subscription agreements.  
20  
21

### 22 **The Straight-Up Brands Manipulation**

23 85. In March 2006, the ringleader emailed Rubin and Scott about his plans for a  
24 reverse merger involving Straight-Up, a privately-held company. Similar to the other offerings,  
25 the ringleader schemed with Rubin and Scott to control Straight Up’s float and manipulate its  
26 stock price, while Rubin and others solicited investors to purchase shares in the public shell.

27 86. In June 2006, the ringleader, through TBeck, transferred 431,000 shares of the  
28

1 public shell for the Straight Up reverse merger to BGLR. The transfer of these shares was a part  
2 of an illegal public distribution; none of the transactions were registered with the Commission,  
3 and none qualified for any exemption from registration.

4 87. In August 2006, following the reverse merger these Straight Up shares were issued  
5 without restrictive legends.

6 88. Between August 2006 and June 2007, the members of the ring manipulated the  
7 stock of Straight Up using the practices described above. During the period in which other  
8 members of the scheme engaged in “bid support” and other manipulative practices, Rubin sold  
9 Straight Up shares into the artificial demand.  
10

11 89. From August 23, 2006 to October 23, 2006, Rubin, through BGLR, sold all of  
12 these shares for approximately \$265,000. These sales were part of a distribution of an  
13 unregistered offering for which no available exemption applied.  
14

15 **Advanced Growing, Bluefire, Mattman, and Straight Up Brands Are Penny Stocks**

16 90. Advanced Growing’s stock is a “penny stock” as defined by the Exchange Act. At  
17 times relevant to this Complaint, the stock’s shares traded at less than \$5.00 per share. During the  
18 same time period, Advanced Growing’s stock did not meet any of the exceptions to penny stock  
19 classification pursuant to Section 3(a)(51) and Rule 3a51-1 of the Exchange Act. For example,  
20 the company’s stock: (1) did not trade on a national securities exchange; (2) was not an “NMS  
21 stock,” as defined in 17 C.F.R. § 242.242.600(b)(47); (3) did not have net tangible assets (i.e.,  
22 total assets less intangible assets and liabilities) in excess of \$5,000,000; and (4) did not have  
23 average revenue of at least \$6,000,000 for the last three years. See Exchange Act, Rule 3a51-1(g).  
24

25 91. Bluefire’s stock is a “penny stock” as defined by the Exchange Act. At times  
26 relevant to this Complaint, the stock’s shares traded at less than \$5.00 per share. During the same  
27 time period, Bluefire’s stock did not meet any of the exceptions to penny stock classification  
28

1 pursuant to Section 3(a)(51) and Rule 3a51-1 of the Exchange Act. For example, the company's  
2 stock: (1) did not trade on a national securities exchange; (2) was not an "NMS stock," as defined  
3 in 17 C.F.R. § 242.242.600(b)(47); (3) did not have net tangible assets (i.e., total assets less  
4 intangible assets and liabilities) in excess of \$5,000,000; and (4) did not have average revenue of  
5 at least \$6,000,000 for the last three years. See Exchange Act, Rule 3a51-1(g).  
6

7 92. Mattman's stock is a "penny stock" as defined by the Exchange Act. At all times  
8 relevant to this Complaint, the stock's shares traded at less than \$5.00 per share. During the same  
9 time period, Mattman's stock did not meet any of the exceptions to penny stock classification  
10 pursuant to Section 3(a)(51) and Rule 3a51-1 of the Exchange Act. For example, the company's  
11 stock: (1) did not trade on a national securities exchange; (2) was not an "NMS stock," as defined  
12 in 17 C.F.R. § 242.242.600(b)(47); (3) did not have net tangible assets (i.e., total assets less  
13 intangible assets and liabilities) in excess of \$5,000,000; and (4) did not have average revenue of  
14 at least \$6,000,000 for the last three years. See Exchange Act, Rule 3a51-1(g).  
15

16 93. Straight Up's stock is a "penny stock" as defined by the Exchange Act. At all  
17 times relevant to this Complaint, the stock's shares traded at less than \$5.00 per share. During the  
18 same time period, Straight Up's stock did not meet any of the exceptions to penny stock  
19 classification pursuant to Section 3(a)(51) and Rule 3a51-1 of the Exchange Act. For example,  
20 the company's stock: (1) did not trade on a national securities exchange; (2) was not an "NMS  
21 stock," as defined in 17 C.F.R. § 242.242.600(b)(47); (3) did not have net tangible assets (i.e.,  
22 total assets less intangible assets and liabilities) in excess of \$5,000,000; and (4) did not have  
23 average revenue of at least \$6,000,000 for the last three years. See Exchange Act, Rule 3a51-1(g).  
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## PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court enter a judgment:

- (i) finding that the Defendants violated the registration provisions and Defendants Rubin and Scott violated antifraud provisions of the federal securities laws as alleged herein;
- (ii) permanently enjoining the Defendants pursuant to Section 20(b) of the Securities Act [15 U.S.C. §§ 77t(b)], from violating Section 5(a) and 5(c) of the Securities Act and [15 U.S.C. §§ 77e(a), (c)];
- (iii) permanently enjoining Defendants Rubin and Scott pursuant to Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)] and Section 20(b) of the Securities Act [15 U.S.C. §§ 77t(b)], from violating Section 17(a) of the Securities Act and [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5(a) and (c)[17 C.F.R. § 240.10b-5(a) and (c)], and from aiding and abetting violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5];
- (iv) permanently and unconditionally barring, pursuant to Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)] and Section 20(g) of the Securities Act [15 U.S.C. § 77t(g)], Defendants from participating in an offering of penny stock as defined by Exchange Act Section 3(a)(51) [15 U.S.C. § 78c(a)(51)] and Rule 3a51-1 thereunder [17 C.F.R. § 240.3a51-1];
- (v) permanently and unconditionally barring Defendant Scott, pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)] and Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)], from acting as an officer or director of any issuer having a class of securities registered with the Commission pursuant to Section 12 of Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)];
- (vi) ordering Defendants to disgorge, with prejudgment interest, all ill-gotten gains,

1 compensation, and benefits by virtue of the conduct alleged herein;

2 (vii) ordering Defendants to pay civil money penalties pursuant to Securities Act  
3 Section 20(d) [15 U.S.C. § 77t(d)] and Exchange Act Section 21(d)(3) [15 U.S.C. § 78u(d)(3)];

4 and

5 (ix) granting such other relief as the Court may deem just and appropriate.  
6

7 **JURY DEMAND**

8 Pursuant to Rule 38 of the Federal Rules of Civil Procedure, Plaintiff demands that this  
9 case be tried to a jury.

10 Dated: September 22, 2011

11 Respectfully submitted,

12 /s/ David Williams

13 David Williams (California Bar No. 183854)

14 ANTONIA CHION

15 RICKY SACHAR

16 ROBERT A. COHEN

17 MICHAEL L. RIEDLINGER

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