

UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS

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SECURITIES AND EXCHANGE		)	
COMMISSION,		)	
		)	
	Plaintiff,	)	Civil Action No.
		)	
	v.	)	
		)	
FRANK MORELLI III and		)	JURY TRIAL DEMANDED
LOUIS BUONOCORE,		)	
		)	
Defendants.		)	
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**COMPLAINT**

Plaintiff Securities and Exchange Commission (the “Commission” or “SEC”) alleges the following against defendants Frank Morelli III (“Morelli”) and Louis Buonocore (“Buonocore”) (collectively the “Defendants”):

**SUMMARY**

1. The Defendants engaged in a scheme to defraud investors in connection with the purchase and sale of the publicly traded stock of YaFarm Technologies, Inc. (“YaFarm” or “YFRM”) from approximately September 2012 through approximately August 2013 (the “relevant period”).

2. At various times material to this complaint, YaFarm was a New Jersey corporation that, according to YaFarm’s public filings, was based in Pittston, Maine. YaFarm purported to be in the business of stem cell research and patient treatment. YaFarm’s stock was quoted in the over-the-counter securities markets (the “OTC Markets”) under the symbol “YFRM.” For the period ended December 31, 2012, YaFarm reported no assets or revenues.

3. Morelli and Buonocore accomplished their fraudulent scheme by, among other things, (a) concealing their de facto control of YaFarm as a corporate entity and their de facto ownership and control of a large percentage of YaFarm's stock to evade SEC Rule 144 [17 C.F.R. 230.144], which limits stock sales by control persons; (b) causing YaFarm to disseminate materially false and misleading information; (c) paying purported third-party stock promoters who, in coordination with YaFarm's issuance of false press releases, touted YaFarm as a legitimate company with growing operations; and (d) selling their shares in YaFarm while concealing from the investing public that these were sales by de facto corporate insiders who controlled the operations of the corporation and who owned the bulk of the company's shares.

4. The Defendants' conduct violated various registration, disclosure and antifraud statutes and rules and regulations of the SEC, including Sections 5(a), 5(c), 17(a) of the Securities Act of 1933 ("Securities Act") and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder.

5. Based on these violations, the Commission seeks: (1) entry of a permanent injunction prohibiting the Defendants from further violations of the relevant provisions of the federal securities laws; (2) entry of an order prohibiting the Defendants from, directly or indirectly, promoting any issuer of any security, causing the promotion of any issuer of any security, or deriving compensation from the promotion of any issuer of any security, unless that security is: (i) listed on a national securities exchange, and (ii) has had a market capitalization of at least \$50,000,000 for 90 consecutive days; (3) the imposition of officer and director bars; (4) entry of an order barring the Defendants from participating in any offering of a penny stock; (5) disgorgement of the Defendants' ill-gotten gains, plus pre-judgment interest; (6) the imposition

of a civil monetary penalty due to the egregious nature of the Defendants' violations; and (7) such other and further relief as the Court deems just and proper.

**JURISDICTION AND VENUE**

6. The Commission brings this action pursuant to the enforcement authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. §77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. §§78u(d)].

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

8. 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], because certain of the transactions, acts, practices, and courses of business constituting the violations alleged herein occurred within the District of Massachusetts.

9. The Defendants, directly or indirectly, made use of the means and instrumentalities of interstate commerce or of the mail in connection with the acts, practices, and course of business alleged herein.

10. The Defendants' conduct involved fraud, deceit, or deliberate or reckless disregard of regulatory requirements, and resulted in substantial loss, or significant risk of substantial loss, to other persons.

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

**DEFENDANTS**

12. Louis T. Buonocore, 60, who resided in Massachusetts during the relevant period, was a significant shareholder of YaFarm's common stock.

13. Frank J. Morelli III, 59, who resided in Colorado during the relevant period, was a significant shareholder of YaFarm's common stock.

**THE YAFARM FRAUDULENT SCHEME**

**Secretly Obtaining Control over YaFarm**

14. In or about September 2012, Buonocore, who partnered with Morelli, began laying the foundation for their plans to secretly own and sell YaFarm's publicly traded stock, which they intended to acquire through a stock purchase agreement. In particular, Buonocore provided the names of nominee entities— through which he and Morelli could secretly own and sell the YaFarm stock they planned to acquire—to an attorney, who communicated with YaFarm's transfer agent on Buonocore's behalf.

15. In or about October 2012, the Defendants came into control of YaFarm after they acquired nearly all of YaFarm's stock, which they held through their nominee entities.

16. In or about December 2012, the Defendants, in an effort to evade SEC rules and regulations, installed two associates to serve as the sole officers and directors of YaFarm. In reality, YaFarm was secretly controlled by the Defendants through these associates. The Defendants knew, or were reckless in not knowing, that their intended stock sales would be restricted if they were publicly identified as controlling YaFarm.

17. After the Defendants' associates were in place as YaFarm's officers and directors, the Defendants directed their associates to issue a stock split (i.e., converting one share into multiple shares), which had the effect of significantly increasing the number of YaFarm shares

controlled by the Defendants. The Defendants took this step in order to maximize their control over the trading of YaFarm shares, enabling them to sell more shares and reap greater profits from their fraudulent scheme.

18. In or about January 2013, following the stock split, the Defendants controlled virtually all of the approximately 18 million purportedly unrestricted YaFarm shares.

#### **Orchestrating a Promotional Campaign and Stock Sales**

19. With millions of shares under their control, the Defendants orchestrated a promotional campaign, which included causing YaFarm to issue press releases that contained false and misleading information and paying stock promoters to tout YaFarm's stock. The promotional campaign was designed to increase YaFarm's stock price. At or about the same time, the Defendants intended to sell, and secretly did sell, shares of YaFarm stock to investors.

20. In particular, on various dates during approximately February 2013 through May 2013, the Defendants authorized and caused YaFarm to issue false and misleading press releases concerning a purported arrangement with the Integrative Stem Cell Institute ("ISCI"), which YaFarm represented to be a premier provider of point-of-care, stem cell-based therapies.

21. For example, on or about March 6, 2013, YaFarm issued a press release that announced, "Integrative Stem Cell Institute (ISCI) has received significant funding for its venture in Cancun, Mexico . . . The investment will be used to complete the construction of the new medical facility housed within Hospital Galenia in Cancun, Mexico . . . The pace of work for both the laboratory facility and the clean room space is moving fast, and this final infusion of capital will allow us to complete the project earlier than scheduled."

22. Buonocore and Morelli knew, or were reckless in not knowing, that YaFarm issued false and misleading press releases as to a material matter: to wit, ISCI had not developed, nor did it have the funding to develop, a laboratory facility.

23. Also in furtherance of the fraudulent promotional campaign, on various dates during approximately January 2013 through May 2013, one or both Defendants paid purported third party stock promoters to tout YaFarm's stock. The promotional materials echoed YaFarm's false press releases. The Defendants paid stock promoters to encourage investors to buy YaFarm stock when the Defendants knew, or were reckless in not knowing, that YaFarm was not a legitimate and growing operating company. In actuality, the appearance of operations or growth at YaFarm was a mirage that the Defendants created to induce investors to buy their overvalued stock.

24. For example, in or about March 2013, Buonocore wired approximately \$50,000 to a stock promoter to tout YaFarm's stock through a nominee entity he controlled.

25. YaFarm's stock price and trading volume increased dramatically as a result of the Defendants' promotional efforts. Prior to the promotional campaign, YaFarm's stock had traded infrequently during the previous several years, but the Defendants' distribution of false and misleading news sparked investor interest and caused YaFarm's stock price to rise to a high of approximately \$.33 per share as millions of shares were traded during and following February 2013.

26. On various dates between January 2013 and August 2013, the Defendants profited as a result of their fraudulent scheme. During this period, Morelli and Buonocore each sold millions of shares of YaFarm stock. Morelli reaped proceeds in excess of \$200,000, while Buonocore's proceeds exceeded \$1 million.

27. The Defendants did not disclose their intent to sell stock, or their stock sales, to any prospective investors throughout 2013.

### **Unregistered Sales**

28. The stock sales of the Defendants were subject to sales and volume limits imposed by SEC Rule 144 because the Defendants were “affiliates” of YaFarm.

29. An “affiliate” of an issuer (here, YaFarm) is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such issuer.

30. The defendants controlled YaFarm through their associates and because of their significant ownership of YaFarm’s stock.

31. SEC Rule 144 limits the volume of securities legally able to be sold for the account of an “affiliate” of an issuer to the greater of one percent of the shares or other units of the class of outstanding stock as shown by the most recent report or statement published by the issuer, or the average weekly reported volume of trading in such securities.

32. The Defendants sold approximately 17 million shares of YaFarm’s stock from approximately February 2013 through August 2013. YaFarm’s filings for the year-ended December 31, 2012 and for the quarter-ended March 31, 2013 incorrectly disclose the number of YaFarm’s total outstanding shares of common stock as 10,000,000 shares. The filings fail to take into account the January 2013 stock split, which increased the number of outstanding shares of common stock to approximately 50,000,000 shares. Either way, the Defendants’ stock sales exceeded the proscribed limits imposed by SEC Rule 144.

**First Claim for Relief**  
**(Violation of Section 17(a) of Securities Act)**  
**[15 U.S.C. § 77q(a)]**  
**(Against Both Defendants)**

33. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 32 above as if set forth fully herein.

34. By reason of the foregoing, the Defendants, directly or indirectly, acting intentionally, knowingly or recklessly, by use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails, in the offer or sale of securities: (a) have employed or are employing devices, schemes, or artifices to defraud; (b) have obtained money or property by means of material misstatement or omission; or (c) have engaged or are engaging in transactions, practices, or courses of business which operated as a fraud or deceit upon the purchasers of such securities.

35. By engaging in the conduct described above, the Defendants have violated, and unless enjoined will continue to violate, Sections 17(a) of the Securities Act.



**Second Claim for Relief**  
**(Violation of Section 10(b) of Exchange Act and Rules 10b-5)**  
**[15 U.S.C. § 78j(b)]**  
**(Against Both Defendants)**

36. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 32 above as if set forth fully herein.

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

38. By engaging in the conduct described above, the Defendants have violated, and unless enjoined will continue to violate, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

**Third Claim for Relief**  
**Violation of Section 5(a) and Section 5(c) of the Securities Act**  
**[15 U.S.C. § 77e]**  
**(Against Both Defendants)**

39. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 32 above as if set forth fully herein.

40. By reason of the foregoing, the Defendants directly or indirectly, as to YaFarm's securities: (a) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities through the use or medium of a prospectus or otherwise; or carried securities or caused such securities to be carried through the mails or in interstate commerce, by means or instruments of transportation, for the purpose of sale or delivery after sale; and (b) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or to offer to buy, through the use or medium of any prospectus or otherwise, securities without a registration statement having been filed with the Commission or being in effect as to such securities.

41. The Defendants were underwriters as defined in 17 C.F.R. 230.144 ("SEC Rule 144").

42. The Defendants' stock sales exceeded the restrictions set by SEC Rule 144(e).

43. By reason of the foregoing, the Defendants have violated, and unless enjoined will continue to violate, Sections 5(a) and 5(c) of the Securities Act.

**PRAYER FOR RELIEF**

WHEREFORE, the Commission requests that this Court:

A. Enter permanent injunctions restraining the Defendants and each of their agents, servants, employees and attorneys and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, including facsimile transmission or overnight delivery service, from directly or indirectly engaging in the conduct described above, or in conduct of similar purport and effect, in violation of Sections 5 and 17(a) of the Securities Act [15 U.S.C. §§ 77e and 77q(a)]; 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. Enter an order prohibiting the Defendants from, directly or indirectly, promoting any issuer of any security, causing the promotion of any issuer of any security, or deriving compensation from the promotion of any issuer of any security, unless that security is: (i) listed on a national securities exchange, and (ii) has had a market capitalization of at least \$50,000,000 for 90 consecutive days;

C. Impose officer and director bars;

D. Enter an order barring the Defendants from participating in any offering of a penny stock, pursuant to Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)];

E. Require the Defendants to disgorge their ill-gotten gains and losses avoided, plus pre-judgment interest;

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

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

H. Grant such other and further relief as the Court deems just and proper.

**JURY DEMAND**

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

Respectfully submitted,

SECURITIES AND EXCHANGE COMMISSION

By its attorneys,

//s// Eric A. Forni

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SECURITIES AND EXCHANGE COMMISSION

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