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8 **UNITED STATES DISTRICT COURT**
9 **SOUTHERN DISTRICT OF CALIFORNIA**

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11
12 **SECURITIES AND EXCHANGE**
13 **COMMISSION,**

14 Plaintiff,

15 vs.

16 **GREG RUEHLE,**

17 Defendant.
18

Case No. '16CV0366 AJB MDD

COMPLAINT

19
20 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

21 **JURISDICTION AND VENUE**

22 1. The Court has jurisdiction over this action pursuant to Sections 20(b),
23 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§
24 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the
25 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
26 78u(d)(3)(A), 78u(e) & 78aa(a).

27 2. Defendant has, directly or indirectly, made use of the means or
28 instrumentalities of interstate commerce, of the mails, or of the facilities of a national

1 securities exchange in connection with the transactions, acts, practices and courses of
2 business alleged in this complaint.

3 3. Venue is proper in this district pursuant to Section 22(a) of the Securities
4 Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a),
5 because certain of the transactions, acts, practices and courses of conduct constituting
6 violations of the federal securities laws occurred within this district, and because
7 Defendant resides in this district.

8 **SUMMARY**

9 4. This case involves Defendant Ruehle's theft of approximately \$1.9
10 million from over 100 defrauded investors. Ruehle's fraud was straightforward. He
11 stole from unsophisticated investors by purportedly selling them securities he knew
12 he did not own, could not transfer, and therefore could not deliver. He later
13 fabricated documents – bogus stock certificates, a forged letter from the issuer's chief
14 executive officer – to conceal his deception. And he pocketed investors' money for
15 himself in order to pay, among other things, his gambling debts.

16 5. As a result of the conduct alleged herein, Ruehle violated the antifraud
17 provisions of the Securities Act and the Exchange Act, and the broker-dealer
18 registration provisions of Section 15 of the Exchange Act.

19 6. With this Complaint, the SEC seeks permanent injunctive relief against
20 Ruehle from violations of the antifraud and registration provisions of the federal
21 securities laws, disgorgement of ill-gotten gains along with prejudgment interest, and
22 civil penalties.

23 **DEFENDANT**

24 7. Greg Ruehle, age 64, resides in Oceanside, California and is a former
25 consultant for ICB International, Inc. ("ICBI"). Ruehle is not registered with the SEC
26 in any capacity. Ruehle does not hold any securities licenses.

27 **OTHER RELEVANT ENTITY**

28 8. ICBI is a privately-held medical device company incorporated in

1 California in September 2008. ICBI and its securities are not registered with the SEC
2 in any capacity. On its website, ICBI states that it has developed a proprietary
3 technology which enables noninvasive diagnoses and targeted treatment of both
4 neuro-degenerative diseases and multiple cancers. ICBI calls this technology
5 “SMART Molecules”.

6 FACTUAL ALLEGATIONS

7 **A. Background**

8 9. In September and December 2011, Ruehle and ICBI executed a finder’s
9 agreement and a consulting agreement. Those agreements provided that Ruehle
10 would be paid a finder’s fee for introducing accredited investors to ICBI, and
11 monthly consulting fees for working to secure new investor funding for ICBI.

12 10. ICBI’s securities are not registered with the SEC. Ruehle’s agreement
13 with ICBI required that Ruehle identify only potential investors who were “accredited
14 investors” under the applicable securities laws, and prohibited Ruehle from engaging
15 in general solicitation.

16 11. Separately, on March 13, 2012, ICBI and Ruehle entered into a stock
17 option agreement that granted Ruehle an option to buy 100,000 shares of ICBI’s
18 common stock at an exercise price of \$5.00 per share. On its terms, however,
19 Ruehle’s stock option was non-transferable at any time prior to his death.

20 12. About two months later, at Ruehle’s request, ICBI entered into a limited
21 waiver of non-transferability with Ruehle. It agreed to allow Ruehle to transfer his
22 option as follows: (i) 10,000 shares to a friend of Ruehle’s specifically identified by
23 the waiver agreement; and (ii) 90,000 shares to a trust controlled by Ruehle.

24 13. There were no further amendments to Ruehle’s ICBI stock option
25 agreement, including its provision on non-transferability.

26 **B. Ruehle Steals \$1.9 Million From Investors By Claiming To Sell ICBI** 27 **Securities That He Either Did Not Own Or Could Not Transfer**

28 14. Finding accredited investors interested in investing in ICBI proved

1 difficult for Ruehle. He ultimately found only one accredited investor for ICBI; for
2 that limited work, ICBI paid Ruehle transaction-based compensation in the form of
3 about \$10,000 and 1,000 shares of ICBI common stock, in accordance with the terms
4 of his ICBI agreements.

5 15. Rather than identifying accredited investors and collecting the finder's
6 fees contemplated by his agreement with ICBI, from about June 2012 to at least
7 February 2015, Ruehle engaged in direct transactions with ICBI investors. In those
8 sham transactions, Ruehle purportedly sold approximately 380,000 shares of ICBI
9 securities – securities that he claimed to already own – to more than 100 investors in
10 California and Minnesota, many of whom were unaccredited investors.

11 16. These investors collectively paid Ruehle more than \$1.9 million for their
12 supposed ICBI securities.

13 17. Ruehle, however, never delivered the ICBI securities investors had paid
14 him for. Instead, Ruehle lied when telling investors he was selling ICBI securities
15 that he owned and could transfer to them, and Ruehle engaged in a scheme to defraud
16 when he later concealed his material misrepresentations by providing investors with
17 bogus stock certificates and a fake letter from ICBI's chief executive officer.

18 18. Ruehle did not transfer the funds he received from investors to ICBI, and
19 instead kept their approximately \$1.9 million for himself.

20 19. Ruehle used the money investors gave him to pay his personal expenses,
21 which included automobile purchases and debts owed on account of his gambling.

22 **1. Ruehle's material misrepresentations**

23 20. During the relevant time period, Ruehle owned only 1,000 ICBI shares
24 (that he received as transaction-based compensation), and an option to purchase
25 100,000 ICBI shares (which he never exercised).

26 21. Ruehle knew that he had not exercised his option and did not own the
27 100,000 ICBI shares subject to that option. He therefore knew that he could not
28 transfer those 100,000 shares to potential investors.

1 22. Ruehle also knew that the terms of his stock option agreement with ICBI
2 barred him from transferring his option interest to potential ICBI investors, unless he
3 received a waiver from ICBI. Ruehle never received a waiver from ICBI that would
4 permit him to transfer his option interest to potential ICBI investors.

5 23. From at least June 2012 to February 2015, Ruehle purportedly sold
6 about 380,000 shares of ICBI securities to more than 100 different investors.

7 24. During the course of these sham transactions, Ruehle falsely told
8 investors that he would sell them ICBI securities that he owned, which he could
9 transfer to them upon a sale.

10 25. In sum, Ruehle not only purported to sell the 100,000 ICBI securities
11 described in the option agreement (an option he had not exercised and could not
12 transfer in any event), but also an additional 280,000 ICBI securities he neither
13 owned nor had an option to acquire.

14 26. Ruehle did not separately purchase ICBI securities to later deliver to
15 ICBI investors.

16 27. And finally, ICBI did not authorize Ruehle to transfer any of its
17 securities to potential investors. Ruehle's agreement with ICBI instead required him
18 to identify accredited investors for ICBI, potential investors who ICBI then had the
19 discretion to approve or reject for investment.

20 28. A reasonable investor would have considered it important in making
21 their investment to know that the securities they bought from Ruehle were not in fact
22 delivered, that Ruehle had lied when claiming to own securities that he would be able
23 to transfer to them, and that Ruehle was purporting to sell them unregistered ICBI
24 securities unbeknownst to ICBI and in a manner contrary to the company's agreement
25 with Ruehle.

26 29. Ruehle knew these material representations were false when made, or
27 was reckless or negligent in not knowing of their falsity.

1 **2. Ruehle created and gave investors fake ICBI stock certificates**

2 30. Ruehle also provided investors with fake stock certificates which
3 purportedly memorialized their investment in ICBI.

4 31. Using a website service, Ruehle created fake stock certificates that
5 claimed to be from ICBI.

6 32. Those certificates state, “ICB INTERNATIONAL, INC.” in large bold
7 print and further provide that:

8 This certifies that [investor name] is the owner of [number of
9 shares] fully paid and non-assessable Shares of the above
10 Corporation transferable only on the books of the Corporation by
11 the holder hereof in person or by duly authorized Attorney upon
12 surrender of this Certificate properly endorsed. In Witness
13 Whereof, the said Corporation has caused this certificate to be
14 signed by its duly authorized officers and to be sealed with the
15 Seal of the Corporation.

16 33. Ruehle signed each of these bogus ICBI stock certificates and provided
17 them to investors.

18 34. In a letter that Ruehle wrote and signed, which he provided along with
19 an investor’s fake stock certificate, Ruehle represented that:

20 The issuance of the enclosed certificate, [sic] serves as transfer of
21 shares from Greg Ruehle to recipient [investor name] who is the
22 name of the certificate [sic]. The ability to transfer shares [sic]
23 was authorized by the CEO of the company.

24 35. The letters and bogus ICBI stock certificates that Ruehle provided to
25 defrauded investors were all misleading, false and/or deceptive, and made by Ruehle
26 in furtherance of a fraudulent scheme.

27 **3. Ruehle forged a letter from ICBI’s CEO**

28 36. In May 2015, Ruehle drafted a letter on ICBI letterhead that purported to

1 show that certain ICBI shares had been transferred to investors. Ruehle then
2 distributed this letter to investors, which stated that:

3 This is to memorialize that [number of shares] shares have been
4 transferred to [investor name] from Greg Ruehles [sic] authorized
5 Shares and will be noted in the Corporate Minutes of ICBI.

6 37. Although the letter purports to be signed by ICBI's CEO, Ram Bhatt
7 (which Ruehle misspelled as "Blatt"), Ruehle either forged the CEO's signature or
8 directed someone to forge the CEO's signature.

9 38. Bhatt was unaware of the existence of the form letter, he did not sign it,
10 and he did not authorize Ruehle to use his signature on it.

11 39. The forged letters that Ruehle provided to defrauded investors were all
12 misleading, false and/or deceptive, and made by Ruehle in furtherance of a fraudulent
13 scheme.

14 **C. Ruehle's Broker-Dealer Activities**

15 40. Ruehle solicited investors for ICBI, effected – or purported to effect –
16 transactions for the accounts of others, took possession and control of the funds that
17 he raised from investors, participated in taking investors' orders, and issued false
18 stock certificates.

19 41. On at least one occasion, Ruehle received transaction-based
20 compensation in the form of a finder's fee on sales of ICBI securities.

21 42. Ruehle therefore effected securities transactions and/or induced the
22 purchase or sale of securities.

23 **FIRST CLAIM FOR RELIEF**

24 **Fraud in the Offer or Sale of Securities**

25 **Violations of Section 17(a)(2) of the Securities Act**

26 43. The SEC realleges and incorporates by reference paragraphs 1 through
27 42 above.

28 44. Defendant, by engaging in the conduct described above, in the offer or

1 sale of securities by the use of means or instruments of transportation or
2 communication in interstate commerce or by use of the mails, directly or indirectly,
3 with scienter, obtained money or property by means of untrue statements of a
4 material fact or by omitting to state a material fact necessary in order to make the
5 statements made, in light of the circumstances under which they were made, not
6 misleading.

7 45. By engaging in the conduct describe above, Defendant Ruehle violated,
8 and unless restrained and enjoined, will continue to violate, Section 17(a)(2) of the
9 Securities Act, 15 U.S.C. §77q(a)(2).

10 **SECOND CLAIM FOR RELIEF**

11 **Fraud in Connection With the Sale of Securities**

12 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b) Thereunder**

13 46. The SEC realleges and incorporates by reference paragraphs 1 through
14 42 above.

15 47. Defendant, by engaging in the conduct described above, directly or
16 indirectly, in connection with the purchase or sale of a security, by the use of means
17 or instrumentalities of interstate commerce, of the mails, or of the facilities of a
18 national securities exchange, with scienter, made untrue statements of a material fact
19 or omitted to state a material fact necessary in order to make the statements made, in
20 the light of the circumstances under which they were made, not misleading.

21 48. By engaging in the conduct described above, Defendant violated, and
22 unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange
23 Act, 15 U.S.C. §78j(b), and Rule 10b-5(b) thereunder, 17 C.F.R. §240.10b-5(b).

24 **THIRD CLAIM FOR RELIEF**

25 **Fraud in Connection With the Sale of Securities**

26 **Violations of Section 10(b) of the Exchange Act and**

27 **Rules 10b-5(a) and (c) Thereunder**

28 49. The SEC realleges and incorporates by reference paragraphs 1 through

1 42 above.

2 50. Defendant, by engaging in the conduct described above, directly or
3 indirectly, in connection with the purchase or sale of a security, by the use of means
4 or instrumentalities of interstate commerce, of the mails, or of the facilities of a
5 national securities exchange, with scienter:

- 6 a. employed devices, schemes, or artifices to defraud; or
7 b. engaged in acts, practices, or courses of business which operated
8 or would operate as a fraud or deceit upon other persons.

9 51. By engaging in the conduct described above, Defendant Ruehle violated,
10 and unless restrained and enjoined will continue to violate, Section 10(b) of the
11 Exchange Act, 15 U.S.C. § 78j(b), and Rules 10b-5(a) and (c) thereunder, 17 C.F.R.
12 §§ 240.10b-5(a) & 240.10b-5(c).

13 **FOURTH CLAIM FOR RELIEF**

14 **Fraud in the Offer and Sale of Securities**

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

16 52. The SEC realleges and incorporates by reference paragraphs 1 through
17 42 above.

18 53. Defendant, by engaging in the conduct described above, in the offer or
19 sale of securities by the use of means or instruments of transportation or
20 communication in interstate commerce or by use of the mails, directly or indirectly,
21 with scienter:

- 22 a. employed devices, schemes, or artifices to defraud; or
23 b. engaged in transactions, practices, or courses of business which
24 operated or would operate as a fraud or deceit upon the purchaser.

25 54. By engaging in the conduct described above, Defendant Ruehle violated,
26 and unless restrained and enjoined will continue to violate, Sections 17(a)(1) and (3)
27 of the Securities Act, 15 U.S.C. § 77q(a)(1) and (3).
28

1 **FIFTH CLAIM FOR RELIEF**

2 **Failure to Register as a Broker or Dealer**

3 **Violations of Section 15(a) of the Exchange Act**

4 55. The SEC realleges and incorporates by reference paragraphs 1 through
5 42 above.

6 56. Defendant, by engaging in the conduct described above, made use of the
7 mails or means or instrumentalities of interstate commerce to effect transactions in, or
8 to induce or attempt to induce, the purchase or sale of securities, without being
9 registered as a broker or dealer in accordance with Section 15(b) of the Exchange
10 Act, 15 U.S.C. § 78o(b), and without complying with any of the exemptions
11 promulgated under Section 15(a)(2), 15 U.S.C. § 78o(a)(2).

12 57. By engaging in the conduct described above, Defendant Ruehle violated,
13 and unless restrained and enjoined will continue to violate, Section 15(a)(1) of the
14 Exchange Act, 15 U.S.C. § 78o(a)(1).

15 **PRAYER FOR RELIEF**

16 WHEREFORE, the SEC respectfully requests that the Court:

17 **I.**

18 Issue findings of fact and conclusions of law that Defendant committed the
19 alleged violations.

20 **II.**

21 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
22 Civil Procedure, permanently enjoining Defendant, and his agents, servants,
23 employees, and attorneys, and those persons in active concert or participation with
24 any of them, who receive actual notice of the judgment by personal service or
25 otherwise, and each of them, from violating Section 17(a) of the Securities Act, 15
26 U.S.C. §77q(a), Section 10(b) of the Exchange Act, 15 U.S.C. §§ 78j(b), and Rule
27 10b-5 thereunder, 17 C.F.R. § 240.10b-5, and Section 15(a) of the Exchange Act, 15
28 U.S.C. § 78o(a).

1 **III.**

2 Order Defendant to disgorge all ill-gotten gains from his illegal conduct,
3 together with prejudgment interest.

4 **IV.**

5 Order Defendant to pay civil penalties under Section 20(d) of the Securities
6 Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. §
7 78u(d)(3).

8 **V.**

9 Retain jurisdiction of this action in accordance with the principles of equity and
10 the Federal Rules of Civil Procedure in order to implement and carry out the terms of
11 all orders and decrees that may be entered, or to entertain any suitable application or
12 motion for additional relief within the jurisdiction of this Court.

13 **VI.**

14 Grant such other and further relief as this Court may determine to be just and
15 necessary.

16 Dated: February 11, 2016

17 /s/ Matthew T. Montgomery
18 MATTHEW T. MONTGOMERY
19 GARY Y. LEUNG
20 Attorneys for Plaintiff
21 Securities and Exchange Commission
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