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

9  
10 **SECURITIES AND EXCHANGE**  
11 **COMMISSION,**

12 Plaintiff,

13 vs.

14 **STRATEGIC GLOBAL**  
15 **INVESTMENTS, INC. AND**  
16 **ANDREW T. FELLNER,**

17 Defendants.

Case No. '16CV0514 H JLB

**COMPLAINT**

18 Plaintiff Securities and Exchange Commission (the "Commission") alleges:

19 **SUMMARY**

20 1. In February 2014, Strategic Global Investments, Inc. ("Strategic") and  
21 Andrew T. Fellner, its CEO, made material false and misleading statements in  
22 various press releases, which they disseminated publicly on [www.otcmarkets.com](http://www.otcmarkets.com).

23 2. Following Colorado's January 2014 legalization of the sale of  
24 recreational marijuana, Strategic and Fellner, in several press releases, falsely  
25 portrayed Strategic as owning a revenue-generating marijuana cultivation facility in  
26 Teller County, Colorado. Strategic was, at the time, involved in industries wholly-  
27 unrelated to marijuana.  
28

1           3. In reality, at no time did Strategic have the ability to operate in the  
2 marijuana business space or legally generate revenue from the sale of marijuana  
3 generated from its purported cultivation facility in Teller County, Colorado. In fact,  
4 Strategic lacked the requisite licensure, funding, and other corporate infrastructure  
5 needed to run a successful marijuana-related business.

6           4. Strategic and Fellner also made material misrepresentations and  
7 omissions in connection with a January 2014 securities offering by failing to  
8 disclose in Strategic's Form 1-A offering documents filed with the Commission  
9 that: (a) Strategic had used investor proceeds to enter the marijuana business; and  
10 (b) Strategic had later decided to exit that business.

11           5. Strategic and Fellner knew, or were reckless in not knowing, that the  
12 information in the press releases and offering documents Strategic disseminated  
13 contained false and misleading statements relating to Strategic's purported  
14 marijuana business and use of investor proceeds.

15           6. By knowingly or recklessly engaging in the conduct described in this  
16 complaint, Defendants Strategic and Fellner violated, and unless enjoined will  
17 continue to violate, Section 10(b) and Rule 10-5(b) of the Securities Exchange Act  
18 of 1934 ("Exchange Act"), 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5, and  
19 Section 17(a)(2) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §  
20 77q(a)(2). Defendant Fellner also aided and abetted Strategic's violations of  
21 Section 10(b) and Rule 10b-5(b) of the Exchange Act and Section 17(a)(2) of the  
22 Securities Act. Unless restrained and enjoined, Defendants are reasonably likely to  
23 continue to violate the federal securities laws.

24           7. The Commission therefore respectfully requests the Court enter an order:  
25 (i) permanently restraining and enjoining Defendants from violating the federal  
26 securities laws; (ii) directing Defendants to pay civil money penalties; (iii) imposing  
27 a penny stock bar against Fellner; and (iv) imposing an officer and director bar  
28 against Fellner.

1 **JURISDICTION AND VENUE**

2 8. The Court has jurisdiction over this action pursuant to Sections 20(b),  
3 20(d)(1) and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(b), 77t(d)(1) & 77v(a),  
4 and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the Exchange Act, 15 U.S.C.  
5 §§ 78u(d)(1), 78u(d)(3)(A), 78u(e) & 78aa(a).

6 9. Strategic and Fellner have, directly or indirectly, made use of the means  
7 or instrumentalities of interstate commerce, of the mails, or of the facilities of a  
8 national securities exchange in connection with the transactions, acts, practices and  
9 courses of business alleged in this complaint.

10 10. Venue is proper in this district pursuant to Section 22(a) of the Securities  
11 Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C. §  
12 78aa(a), because certain of the transactions, acts, practices and courses of conduct  
13 constituting violations of the federal securities laws occurred within this District. In  
14 addition, venue is proper in this District because both Strategic’s principal place of  
15 business and Fellner’s residence are in located this District.

16 **THE DEFENDANTS**

17 11. **Strategic**, formed in 2008, is a Delaware corporation based in San  
18 Diego, California. Strategic’s common stock is quoted on the OTC Pink  
19 marketplace (symbol STBV).

20 12. Strategic’s stock is a “penny stock” as defined by the Exchange Act. At  
21 all times relevant to this action, the stock’s shares traded at less than one dollar per  
22 share. During the same time period, Strategic’s stock did not meet any of the  
23 exceptions to penny stock classification pursuant to Exchange Act Section 3(a)(51),  
24 15 U.S.C. § 78(c)(a)(51), and Rule 3a51-1, 17 C.F.R. § 240.3a51-1. For example  
25 the Company’s stock: (a) did not trade on a national securities exchange; (b) was  
26 not an “NMS stock,” as defined in 17 C.F.R. § 242.600(b)(47); (c) did not have  
27 tangible assets (*i.e.*, total assets less intangible assets and liabilities) in excess of  
28 \$5,000,000; and (d) did not have average revenue of approximately \$6,000,000 for

1 the last three years. *See* Exchange Act, Rule 3a51-1(g).

2 13. **Fellner** is a resident of Carlsbad, California and is the CEO, secretary,  
3 treasurer, and sole director of Strategic. Fellner acquired a controlling interest in  
4 Strategic in 2010. In July 1982, Fellner pleaded guilty to conspiracy and federal  
5 mail fraud for his role in a multi-million dollar real estate and forgery fraud scheme.  
6 He served approximately three years in prison.

## 7 **THE ALLEGATIONS**

### 8 **A. Defendants' Misrepresentations and Omissions**

#### 9 **1. False Statements in Strategic's Press Releases**

10 14. On April 4, 2013, Strategic, which previously purported to be operating  
11 a video production business, issued a press release announcing its first foray into the  
12 marijuana business. Among other things, this release stated that "GrowLife, Inc., a  
13 provider of highly effective indoor growing technologies and unique lifestyle  
14 brands...has signed a Letter of Intent with [Strategic] to build a comprehensive,  
15 multichannel media network for the marijuana industry."

16 15. Strategic made no further statements about its purported involvement in  
17 the marijuana industry until February 10, 2014, when Strategic issued a press  
18 release, which announced that the Company had "entered into meaningful  
19 negotiations for the purchase of a Marijuana Growing facility located in Teller  
20 County, Colorado." Strategic further stated that it expected "to yield a harvest and  
21 generate revenue from the sale of [marijuana] plants by the 3rd Quarter of [2014]"  
22 and that it planned to have "the first new crop started in the first week of March."  
23 Fellner is quoted in the press release stating that "the demand in this newly  
24 legalized industry is sure to bring in significant revenue going into the third and  
25 fourth quarter of 2014."

26 16. On February 20, 2014, Strategic issued a press release announcing that it  
27 had "signed an agreement for the purchase of Bearpot, Inc., controlling entity of an  
28 existing Marijuana Growing facility located in Teller County, Colorado." In that

1 same press release, Strategic further claimed that it had “evaluated the industry and  
2 [expected] to be able to yield a harvest and generate revenues from the sale of plants  
3 by the 4th Quarter of this year.”

4 17. Fellner reiterated this projection in a February 24, 2014 letter to  
5 shareholders, which Strategic included in a press release. The release quotes  
6 Fellner as stating that Strategic now owned a “marijuana cultivation facility.” In  
7 that same press release, Fellner acknowledged the increase in trading activity of  
8 Strategic’s stock over the past weeks and attributed it to the marijuana cultivation  
9 facility.

10 18. Four days later in an “executive interview” published in a February 28,  
11 2014 press release, Fellner explained that “the largest amount of growth that we will  
12 see in the next 3-6 months for [Strategic] surely will be in the growing and  
13 distributing of medical and recreational marijuana.”

14 19. On March 27, 2014, Strategic issued a press release listing Strategic’s  
15 accomplishments relating to the purported marijuana cultivation facility. This list  
16 included completion of all electrical and structural upgrades to the Bearpot facility.

17 20. These statements regarding Strategic’s purported foray into the  
18 marijuana business were false and misleading.

19 21. First, the Defendants falsely mischaracterized to investors its purchase of  
20 Bearpot’s assets as the acquisition of “an existing” marijuana cultivation facility in  
21 Teller County, Colorado. In fact, Bearpot had no such facility – the purported  
22 cultivation facility was a two-story house Bearpot rented in a residential area of  
23 Teller County.

24 22. Second, Defendants failed to disclose that the law did not permit Bearpot  
25 to have a facility in that location: (1) Teller County Ordinance #18, effective as of  
26 March 2013, prohibited the licensing and operation of, among other things,  
27 marijuana cultivation facilities, (2) under various Colorado state laws, commercial  
28 medical marijuana cultivation required a license, which Bearpot, Strategic, and their

1 officers have never had, and (3) Teller County zoning regulations did not permit  
2 commercial marijuana grow houses in the residential area where Bearpot's  
3 purported facility was located.

4 23. Third, the fact that neither Bearpot nor Strategic had or legally could  
5 have a functioning marijuana cultivation facility rendered baseless Strategic's  
6 revenue and growth projections.

7 24. At the time of the press releases, Fellner was the CEO, secretary,  
8 treasurer, and sole director of Strategic. He had the ultimate authority over the  
9 press releases' content and formulation. He also had authority over whether or not  
10 to issue the press releases.

11 25. In his position as CEO, secretary, treasurer, and sole director of  
12 Strategic, Fellner knew or should have known the legal and licensing requirements  
13 of the marijuana business in Colorado. Further, Fellner knew or should have known  
14 that Bearpot did not have a facility that was properly located, licensed, or equipped  
15 to legally cultivate marijuana.

## 16 **2. Misleading Information in Strategic's Form 1-A Filing**

17 26. Strategic raised operating capital via offerings pursuant to Regulation A  
18 of the Securities Act. Between March 2013 and September 2015, the Commission  
19 qualified five of Strategic's Regulation A offerings.

20 27. Rule 253(e) of Regulation A, 17 C.F.R. § 230.253(e), required Strategic  
21 to revise its January 2014 Regulation A offering documents during the 12 months  
22 succeeding the date of qualification whenever the information in the corresponding  
23 Forms 1-A became false or misleading, material developments occurred, or there  
24 was a fundamental change to the information initially presented. A Form 1-A  
25 essentially acts as a registration statement used during an offering under Regulation  
26 A of the Securities Act. The Form 1-A informs investors about the offering  
27 company including what type of business it conducts and transacts.  
28

1           28. Beginning in January 2014, Strategic offered its securities to investors  
2 and prospective investors via an offering under Regulation A, which ultimately  
3 raised \$3.4 million, and concurrently disseminated false and misleading information  
4 about its business venture and use of investor proceeds in its corresponding Form 1-  
5 A during the offering.

6           29. The Commission qualified Strategic's Regulation A offering on January  
7 17, 2014. The corresponding Form 1-A, which Fellner signed in his capacity as  
8 CEO, described Strategic as being in the video business and contained no reference  
9 to the marijuana business.

10           30. The Form 1-A further stated that the proceeds from the offering would  
11 be used "primarily to increase the marketing efforts of the company and to install  
12 more equipment for its live [streaming] based business and for other general  
13 corporate purposes."

14           31. Strategic sold approximately \$2.1 million worth of stock pursuant to the  
15 exemption set forth in Regulation A in the first three months of 2014.

16           32. In February 2014, Strategic did not file an amendment to its Form 1-A.  
17 Such an amendment was required by Rule 253(e) because, while the offering was  
18 ongoing, the company used \$50,000 of investor proceeds to acquire Bearpot. While  
19 Bearpot did not have the revenue, licensure, or other necessary requirements to  
20 actually legally grow commercial marijuana, its purchase still indicated a switch in  
21 Strategic's business plan. Thus, the failure to file an amendment to the Form 1-A  
22 rendered its statements about Strategic's business and its use of proceeds false and  
23 misleading.

24           33. In April 2014, Strategic decided to exit the marijuana business.  
25 However, Strategic never updated its Form 1-A to reflect its plan to exit the  
26 marijuana business. Strategic did subsequently file a Form 1-A and amendments  
27 for a new Regulation A offering in April 2014, in which it did disclose its entrance  
28 into and plan to exit the marijuana business, into which it had placed investor

1 proceeds. However, this did not relieve Strategic of its obligation under Rule  
2 253(e) to update the prior Form 1-A for a different offering. In short, the filing of a  
3 *new* Regulation A offering form did not correct the previously filed, false and  
4 misleading Form 1-A.

5 34. Investors depend on true, correct, and complete Form 1-A disclosures to  
6 understand how their funds are being used by companies. Reasonable investors  
7 would have wanted to have timely known that (a) funds they thought were being  
8 used for video production were being used in a marijuana business instead, and (b)  
9 Strategic decided to exit the marijuana business shortly after entering it.

#### 10 **B. The Market Impact of Strategic's Misstatements**

11 35. Concurrent with its issuance of the press releases and its failure to  
12 amend the original Form 1-A, Strategic stock's average daily trading volume  
13 increased significantly: from about 5.13 million shares between April 1, 2013 and  
14 February 7, 2014 to 849 million shares between February 10, 2014 and March 27,  
15 2014.

16 36. Strategic's closing share prices also increased: from \$0.0032 on  
17 February 7, 2014 to \$0.055 on February 10, 2014 (an increase of over 1,600%),  
18 when Strategic announced its entrance into the marijuana industry, with a trading  
19 volume that day of 470 million shares. Trading reached a peak volume of  
20 approximately 2.13 billion shares on March 24, 2014 before the price dropped to  
21 \$0.0001 on April 16, 2014.

#### 22 **FIRST CLAIM FOR RELIEF**

#### 23 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b) Thereunder** 24 **(Against Strategic and Fellner)**

25 37. The SEC realleges and incorporates by reference paragraphs 1 through  
26 36 above.

27 38. Between January and May 2014, Strategic and Fellner, knowingly or  
28 recklessly, in connection with the purchase or sale of securities, directly or



1 indirectly, by use of any means or instrumentalities of interstate commerce, or the  
2 mails, made untrue statements of material facts and/or omitted to state material facts  
3 necessary in order to make the statements made, in the light of the circumstances  
4 under which they were made, not misleading.

5 39. By reason of the foregoing, Strategic and Fellner violated, and, unless  
6 enjoined, are reasonably likely to continue to violate, Section 10(b) and Rule 10b-  
7 5(b) of the Exchange Act, 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5(b).

8 **SECOND CLAIM FOR RELIEF**

9 **Violations of Section 17(a)(2) of the Securities Act**  
10 **(Against Strategic and Fellner)**

11 40. The Commission realleges and incorporates by reference Paragraphs 1  
12 through 36 above.

13 41. Between January and May 2014, Strategic and Fellner, in the offer or  
14 sale of any securities by the use of any means or instruments of transportation or  
15 communication in interstate commerce or by use of the mails, directly or indirectly,  
16 negligently obtained money or property by means of untrue statements of material  
17 facts or omissions to state material facts necessary to make the statements made, in  
18 the light of the circumstances under which they were made, not misleading.

19 42. By reason of the foregoing, Strategic and Fellner violated, and, unless  
20 enjoined, are reasonably likely to continue to violate, Section 17(a)(2) of the  
21 Securities Act, 15 U.S.C. § 77q(a)(2).

22 **THIRD CLAIM FOR RELIEF**

23 **Aiding and Abetting Fraud in Violation of**  
24 **Section 10(b) and Rule 10b-5(b) of the Exchange Act**  
25 **(Against Fellner)**

26 43. The Commission realleges and incorporates by reference Paragraphs 1  
27 through 36 above.

28 44. Between January and May 2014, Strategic, directly and indirectly, by

1 use of any means or instrumentality of interstate commerce, or of the mails,  
2 knowingly or recklessly made untrue statements of material facts and omitted to  
3 state material facts necessary in order to make the statements made, in the light of  
4 the circumstances under which they were made, not misleading in connection with  
5 the purchase or sale of any security, and by reason of the foregoing, violated  
6 Section 10(b) and Rule 10b-5(b) of the Exchange Act, 15 U.S.C. § 78j(b) and 17  
7 C.F.R. § 240.10b-5(b).

8 45. Between January and May 2014, Fellner knowingly or recklessly  
9 provided substantial assistance to Strategic's violations of Section 10(b) and Rule  
10 10b-5(b) of the Exchange Act, 15 U.S.C. § 78j(b), and 17 C.F.R. § 240.10b-5(b),  
11 and is deemed to be in violation of these provisions to the same extent as Strategic.

12 46. By reason of the foregoing, Fellner aided and abetted and, unless  
13 enjoined, is reasonably likely to continue to aid and abet, Strategic's violations of  
14 Section 10(b) and Rule 10b-5(b) of the Exchange Act, 15 U.S.C. § 78j(b) and 17  
15 C.F.R. § 240.10b-5(b).

#### 16 **FOURTH CLAIM FOR RELIEF**

#### 17 **Aiding and Abetting Fraud in Violation of** 18 **Section 17(a)(2) of the Securities Act** 19 **(Against Fellner)**

20 47. The Commission realleges and incorporates by reference Paragraphs 1  
21 through 36 above.

22 48. Between January and May 2014, Strategic in the offer or sale of any  
23 securities by the use of any means or instruments of transportation or  
24 communication in interstate commerce or by use of the mails, directly or indirectly,  
25 negligently obtained money or property by means of untrue statements of material  
26 facts or omissions to state material facts necessary to make the statements made, in  
27 the light of the circumstances under which they were made, not misleading, and by  
28 reason of the foregoing, violated Section 17(a)(2) of the Securities Act, 15 U.S.C. §

1 77q(a)(2).

2 49. Between January and May 2014, Fellner knowingly or recklessly  
3 provided substantial assistance to Strategic's violations of Section 17(a)(2) of the  
4 Securities Act, 15 U.S.C. § 77q(a)(2), and is deemed to be in violation of this  
5 provision to the same extent as Strategic.

6 50. By reason of the foregoing, Fellner aided and abetted and, unless  
7 enjoined, is reasonably likely to continue to aid and abet, Strategic's violations of  
8 Section 17(a)(2) of the Securities Act, 15 U.S.C. § 77q(a)(2).

9 **PRAYER FOR RELIEF**

10 WHEREFORE, the SEC respectfully requests that the Court:

11 **I.**

12 Issue findings of fact and conclusions of law that Defendants committed the  
13 alleged violations.

14 **II.**

15 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of  
16 Civil Procedure, permanently enjoining Defendants Strategic Global Investments,  
17 Inc. and Andrew Fellner, and their agents, servants, employees, and attorneys, and  
18 those persons in active concert or participation with any of them, who receive actual  
19 notice of the judgments by personal service or otherwise, and each of them, from  
20 violating Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), and Section 10(b) of  
21 the Exchange Act, 15 U.S.C. §§ 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. §  
22 240.10b-5.

23 **III.**

24 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of  
25 Civil Procedure, permanently enjoining Defendant Andrew Fellner, and his agents,  
26 servants, employees, and attorneys, and those persons in active concert or  
27 participation with any of them, who receive actual notice of the judgment by personal  
28 service or otherwise, and each of them, from aiding and abetting violations of Section

1 17(a) of the Securities Act, 15 U.S.C. § 77q(a), and Section 10(b) of the Exchange  
2 Act, 15 U.S.C. §§ 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

3 **IV.**

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

7 **V.**

8 Issue an Order, pursuant to Section 20(g) of the Securities Act, 15 U.S.C. §  
9 77t(g), and Section 21(d)(6) of the Exchange Act, 15 U.S.C. § 78u(d)(6), barring  
10 Fellner from participating in any future offering of a penny stock.

11 **VI.**

12 Issue an Order, pursuant to Section 20(e) of the Securities Act, 15 U.S.C. §  
13 77t(e), and Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2), barring  
14 Defendant Andrew Fellner from acting as an officer or director of any issuer that has  
15 a class of securities registered pursuant to Section 12 of the Exchange Act or that is  
16 required to file reports pursuant to Section 15(d) of the Exchange Act.

17 **VII.**

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

22 **VIII.**

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

1 Dated: February 29, 2016

2 /s/ James M. Carlson \_\_\_\_\_  
3 James M. Carlson, Esq.  
4 Attorney for Plaintiff  
5 United States Securities  
6 and Exchange Commission  
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