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Securities and Exchange Commission

11 **UNITED STATES DISTRICT COURT**  
12  
13 **CENTRAL DISTRICT OF CALIFORNIA**  
14  
15 **Southern Division**

16 SECURITIES AND EXCHANGE  
17 COMMISSION,

18 Plaintiff,

19 vs.

20 GUY SCOTT GRIFFITHE,  
21 ROBERT WILLIAM RUSSELL,  
RENEWABLE TECHNOLOGIES  
22 SOLUTION, INC., GREEN ACRES  
PHARMS, LLC, and  
SMRB, LLC,

23 Defendants, and

24 SONJA MARIE RUSSELL,

25 Relief Defendant.  
26

Case No.

**COMPLAINT**

27  
28

1 Plaintiff, Securities and Exchange Commission (“Commission” or “SEC”), for  
2 its Complaint against Guy Scott Griffithe, Robert William Russell, Renewable  
3 Technologies Solution, Inc., Green Acres Pharms, LLC, and SMRB, LLC  
4 (collectively referred to as “Defendants”), hereby alleges as follows:

5 **JURISDICTION AND VENUE**

6 1. The Commission brings this action pursuant to Sections 20(b) and 20(c)  
7 of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77t(b)], and Sections  
8 21(d) and 21(e) of the Securities Exchange Act of 1934 (“Exchange Act”) [*15 U.S.C.*  
9 *§§ 78u(d) and 78u(e)*].

10 2. This Court has jurisdiction over this action pursuant to Section 22 of the  
11 Securities Act [*15 U.S.C. § 77v*], Section 27 of the Exchange Act [*15 U.S.C. § 78aa*],  
12 and 28 U.S.C. § 1331.

13 3. Venue is proper in this Court pursuant to Securities Act Section 22(a)  
14 [*15 U.S.C. § 77v(a)*] and Exchange Act Section 27 [*15 U.S.C. § 78aa*], as acts,  
15 practices, and courses of business constituting violations alleged herein occurred  
16 within the Central District of California. Defendant Guy Griffithe resides within the  
17 Central District of California. Defendants Renewable Technologies Solution, Inc.  
18 and Green Acres Pharms, LLC have their principal places of business within this  
19 District. Many victims of the Defendants’ fraud scheme reside within this District.  
20 Many of the fraudulent securities transactions occurred within this District.

21 4. Defendants directly and indirectly made use of the means and  
22 instrumentalities of interstate commerce and of the mails in connection with the acts,  
23 practices, and courses of business alleged herein.

24 **SUMMARY**

25 5. Defendants Guy Scott Griffithe (“Griffithe”) and Robert William Russell  
26 (“Russell”), through the Defendant companies they respectively controlled,  
27 Renewable Technologies Solution, Inc. (“RTSI”), Green Acres Pharms, LLC  
28 (“GAP”), and SMRB, LLC (“SMRB”), defrauded at least 25 investors of

1 approximately \$4.85 million or more in a securities offering fraud scheme. The  
2 Commission charges the Defendants based upon their respective roles in perpetrating  
3 the scheme described herein.

4 6. From approximately August 2015 to December 2017, Defendants sold  
5 investors purported ownership interests in SMRB, a company in Washington State  
6 that held a license to produce and process marijuana under Washington's recreational  
7 cannabis laws. Defendants sold securities in SMRB to investors through Griffithe's  
8 holding company RTSI, and later GAP, which purported to own a minority interest in  
9 SMRB.

10 7. Investors were told that their investment capital would be used to operate  
11 and improve SMRB's cannabis business and that SMRB's resulting profits would be  
12 distributed to them quarterly in proportion to the equity they purchased.

13 8. Defendants sold securities interests to investors that were fictitious and  
14 essentially worthless. The investors did not actually acquire any *bona fide* ownership  
15 stake in SMRB.

16 9. Additionally, Griffithe misappropriated over \$1.8 million in investor  
17 money for personal uses and other inappropriate expenditures. Among other things,  
18 Griffithe used investor money towards the purchase of luxury cars for himself and  
19 others, and to fund numerous other personal and unrelated business expenditures.

20 10. Russell and his wife, Relief Defendant Sonja Marie Russell, also  
21 unjustly benefitted from the misuse of investor money. Approximately \$1.7 million  
22 was deposited into personal bank accounts Russell shared with his wife, and other  
23 money was spent for their personal benefit, including towards the purchase of a  
24 yacht.

25 11. Defendants also led investors to believe that SMRB was profitable and  
26 paying profit distributions. In reality, SMRB was never profitable and the money  
27 paid to investors was funded, in part, from other capital invested in the scheme in  
28 Ponzi-like fashion.

1 12. By engaging in the conduct described herein, the Defendants have  
2 violated, and unless restrained and enjoined will continue to violate, Section 10(b) of  
3 the Exchange Act [*15 U.S.C. § 78j(b)*] and Rule 10b-5 thereunder [*17 C.F.R. §*  
4 *240.10b-5*], and Section 17(a) of the Securities Act [*17 U.S.C. § 77q(a)*]. Griffithe,  
5 RTSI, and GAP also violated, and unless restrained and enjoined will continue to  
6 violate, Securities Act Sections 5(a) and (c) [*15 U.S.C. §§ 77e(a) and e(c)*].

7 13. Consequently, the Commission now brings this action to enforce the  
8 securities laws; to seek permanent injunctions against each of the Defendants,  
9 enjoining them from engaging in the transactions, acts, practices, and courses of  
10 business set forth herein; to disgorge all ill-gotten gains, plus prejudgment interest  
11 thereon, wrongfully obtained as a result of their illegal conduct; to pay civil penalties;  
12 and to request other relief as set forth herein and as the Court may find just and  
13 appropriate.

#### 14 DEFENDANTS

15 14. **Guy Scott Griffithe (“Griffithe”)**, age 40, is a resident of Laguna  
16 Niguel, California. Griffithe is the President, Secretary, and Treasurer of Renewable  
17 Technologies Solution, Inc. and controls its business operations and bank accounts.  
18 Griffithe is also a member and Manager of Green Acres Pharms, LLC and controls its  
19 business operations and bank accounts. Griffithe executed investment contracts with  
20 investors in his capacity as an officer and control person of Renewable Technologies  
21 Solution, Inc. and Green Acres Pharms, LLC. Griffithe, who describes himself as an  
22 executive in the motion picture industry, is also President and a member of the Board  
23 of Directors of Bridgegate Pictures Corp., a Nevada corporation whose common  
24 stock trades on the OTC Markets.

25 15. **Robert William Russell (“Russell”)**, age 60, is a resident of Duvall,  
26 Washington. Russell and his wife, Relief Defendant Sonja Marie Russell (“Sonja  
27 Russell”), are the only two owners and governor members of SMRB. Russell  
28 controlled SMRB. According to state incorporation records, Russell is also a

1 Director of Renewable Technologies Solution, Inc. and managing member of Green  
2 Acres Pharms, LLC.

3        **16. Renewable Technologies Solution, Inc. (“RTSI”)** is a Nevada  
4 corporation with a last known address for its principal place of business in Laguna  
5 Niguel, California. RTSI was originally formed in 2004 under the name Bridgegate  
6 Capital, Inc. and later re-named Renewable Technologies Solution, Inc. RTSI also  
7 did business under the fictitious name “Bridgegate Marketing Specialist.” Griffithe  
8 controlled RTSI. Griffithe was RTSI’s President, Secretary and Treasurer, and  
9 Russell was Director of RTSI. RTSI issued and sold investment contracts to  
10 investors that fraudulently purported to represent an interest in SMRB, LLC.

11        **17. Green Acres Pharms, LLC (“GAP”)** is a Nevada limited liability  
12 company with a last known address for its principal place of business in Laguna  
13 Niguel, California. GAP was formed in 2016 as a successor-in-interest to RTSI for  
14 the purpose of holding, offering, and selling RTSI’s purported equity in SMRB, LLC.  
15 Griffithe and Russell are named as the two managing members, or “Directors,” of  
16 GAP. Griffithe controlled GAP. GAP issued and sold investment contracts to  
17 investors that fraudulently purported to represent an interest in SMRB, LLC.

18        **18. SMRB, LLC (“SMRB”)** is a Washington-registered limited liability  
19 company with its principal place of business in Anacortes, Washington. SMRB was  
20 formed in 2013. In 2015, SMRB obtained a license from the Washington State  
21 Liquor and Cannabis Board to produce and process marijuana under Washington’s  
22 recreational cannabis laws. SMRB does business under the trade names “Green Acre  
23 Pharms” and “Green Acres Pharms,” and is also sometimes known as “Green Acres  
24 Pharm.” Russell and his wife, Relief Defendant Sonja Marie Russell, are the only  
25 two owners and governor members of SMRB. Russell controls SMRB.

26                                        **RELIEF DEFENDANT**

27        **19. Sonja Marie Russell (“Sonja Russell”)**, age 59, is a resident of Duvall,  
28 Washington. Sonja Russell is the wife of Defendant Robert W. Russell. Sonja

1 Russell is one of the two owners and governor members of SMRB, along with her  
2 husband Defendant Robert W. Russell. Sonja Russell was unjustly enriched by  
3 receiving proceeds from the fraudulent conduct alleged herein in the form of cash,  
4 property, and other benefits.

5 **FACTUAL ALLEGATIONS**

6 20. Defendants, each acting with scienter, perpetrated a long-running  
7 scheme to defraud investors in connection with the offer, purchase, or sale of  
8 unregistered securities and to use the money raised in such offerings to unjustly  
9 enrich themselves, Relief Defendant Sonja Russell, and others.

10 ***Origins of Defendants' Investment Fraud Scheme***

11 21. In approximately November 2013, Russell and Sonja Russell formed  
12 SMRB in the State of Washington to engage in activities associated with producing  
13 and processing marijuana.

14 22. At the time of SMRB's formation, and continuing at all times to the  
15 present, Russell and Sonja Russell each owned 50% of SMRB and have served as the  
16 limited liability company's only two members and governors. Russell controlled  
17 SMRB.

18 23. In approximately March 2014, SMRB filed an application with the  
19 Washington State Liquor and Cannabis Board to obtain a license to grow and process  
20 marijuana for the recreational market in Washington. In approximately August 2015,  
21 the Liquor and Cannabis Board issued the license to SMRB.

22 24. In approximately July 2015, Griffithe and RTSI made an agreement with  
23 Russell and SMRB to pay \$1.5 million in exchange for a stake in SMRB that  
24 conveyed the right to receive a percentage of the net income generated by SMRB.

25 25. Defendants contemplated that Griffithe would use RTSI to offer and sell  
26 these securities of SMRB to other investors. For example, an SMRB corporate  
27 resolution with an effective date of July 19, 2015 pertaining to Griffithe's and RTSI's  
28 \$1.5 million investment recognized that RTSI had "the right to sell its equity

1 position” to investors or “pledge it for equity raise.”

2 26. Under state law, SMRB was required to request and receive pre-approval  
3 from the Washington State Liquor and Cannabis Board before raising money from  
4 investors. Washington law also required all owners of a licensed marijuana business,  
5 and anyone who has a right to receive profits from a marijuana business, to be  
6 Washington residents and to be investigated and approved by the Liquor and  
7 Cannabis Board prior to investing.

8 27. Selling or conveying interests in SMRB to investors without the required  
9 vetting and prior approval of the Washington State Liquor and Cannabis Board  
10 subjected SMRB to potential cancellation of its license.

11 28. Russell knew that he could not transfer or sell any interest in SMRB to  
12 RTSI or to any third-party investor without pre-approval of the Washington State  
13 Liquor and Cannabis Board. Nevertheless, Defendants never sought or obtained  
14 approval from the Washington State Liquor and Cannabis Board for RTSI to acquire  
15 any interest in SMRB, or for any third-party investors to acquire an interest in SMRB.

16 ***Defendants Offered and Sold Unregistered Securities***  
17 ***in Violation of the Federal Securities Laws.***

18 29. Beginning in approximately August 2015 and continuing until at least  
19 December 2017 (the “Relevant Time Period”), Defendants offered and sold securities  
20 in SMRB to at least twenty-five investors residing in several states, including  
21 California, Washington, Arizona, and Texas (collectively, the “Investors”).

22 30. The Investors paid money in the form of cash, checks, bank transfers,  
23 and wire transfers to effectuate the purchase and sale of the securities from  
24 Defendants. In total, the Investors invested approximately \$4.85 million.

25 ***Defendants’ Methods for Recruiting Investors into the Scheme***

26 31. Griffithe was primarily responsible for identifying potential investors,  
27 selling the investment, collecting and distributing money related to the investment,  
28 and communicating with Investors through one-on-one communications, newsletters,

1 emails, teleconferences, and through RTSI's website.

2 32. Most potential investors came from direct solicitations by Griffithe or  
3 through referrals from Griffithe's friends and associates, whom Griffithe sometimes  
4 compensated with cash or participation in the investment.

5 33. Defendants also gained introductions to potential new investors through  
6 word-of-mouth referrals from other Investors.

7 34. Additionally, beginning on or around June 6, 2016, Defendants solicited  
8 the general public to invest through a public Internet website,  
9 <http://www.investgap.com>. The website provided content and links to an investment  
10 overview, pictures, a document entitled "Top 10 Reasons GAP is a Solid  
11 Investment," and additional written materials about the company's management and  
12 plans for growth and expansion. The website offered visitors the opportunity to sign  
13 up for "periodic investment updates" and to subscribe to a mailing list. Additionally,  
14 the website provided the telephone number of one of Griffithe's employees for  
15 potential investors to call for more information about investing.

16 35. In connection with the offers and sales of the securities, Griffithe would  
17 sometimes communicate directly with potential investors by phone or electronic  
18 communications.

19 36. In connection with the offers and sales of the securities, Griffithe and/or  
20 Russell would sometimes meet personally with potential investors, including giving  
21 tours of SMRB's facility.

22 37. Most of the Investors lured into the scheme were individuals who  
23 invested funds derived from their personal savings, retirement savings, inheritances,  
24 or loans from family members.

25 ***Defendants Misrepresented the Nature of the Investment and Uses of Proceeds***

26 38. In connection with the offer and sales of securities to Investors, during  
27 the Relevant Time Period, Defendants made false representations orally and in  
28 written materials about the nature of the securities interests being offered and sold



1 and how they would use the money raised from Investors in the offerings.

2 39. Defendants told Investors orally and in written materials, including in  
3 the investment contracts, marketing brochures, and direct communications, that they  
4 were purchasing an ownership interest, or equity, in SMRB.

5 40. Defendants told Investors orally and in written materials to expect profit  
6 distributions based on the revenue SMRB generated from the Defendants' efforts.

7 41. Defendants also told Investors orally and in written materials that the  
8 proceeds of their investment would be used for purposes related to SMRB's business,  
9 including purchasing equipment or machinery; installing equipment and fixtures at  
10 SMRB's Anacortes, Washington facility; acquiring additional real estate; or  
11 expanding the existing footprint of SMRB's facility.

12 42. In connection with the offers and sales of the securities, during the  
13 Relevant Time Period, Griffithe and Russell met with and gave tours of SMRB's  
14 facility in Anacortes, Washington to several Investors or prospective investors,  
15 including people who resided outside the State of Washington.

16 43. Russell maintained the appearance of SMRB's Anacortes facility in a  
17 manner that allowed him to convince these visitors that their incremental investment  
18 capital was needed and would be used to finalize certain improvement projects. For  
19 example, Russell showed some prospective investors obsolete or surplus equipment  
20 and fixtures that he falsely said were going to be installed when he received money  
21 from their investments.

22 44. To effectuate their investment with Defendants, most Investors signed a  
23 contract entitled "Purchase of Shares Interest Agreement." This investment contract  
24 promised the Investor an "ownership interest in SMRB," as well as a share of  
25 SMRB's "net proceeds" or "total net profits" in proportion to his or her "Ownership  
26 Interest," to be disbursed on a quarterly basis. The Purchase of Shares Interest  
27 Agreements identified RTSI as the "seller" from which the Investor was purchasing  
28 securities (e.g., "Purchaser is acquiring ownership interest in SMRB, LLC owned by

1 RTSI”), and stated that “Robert Russell and Guy Griffithe are 100% owners of  
2 Renewable Technology Solution, Inc.”

3 45. Griffithe wrote the Purchase of Shares Interest Agreements using a form  
4 he found on the Internet, and also signed the contracts in his capacity as an officer of  
5 RTSI.

6 46. Some of the Purchase of Shares Interest Agreement forms contained a  
7 signature line identifying Russell as the President of RTSI. At least seven Investors  
8 executed versions of the Purchase of Shares Interest Agreement that contained a  
9 signature purporting to be Russell’s.

10 47. In approximately August 2016, Griffithe formed GAP to act as a  
11 successor-in-interest to RTSI for the purpose of offering and selling the SMRB  
12 securities to Investors.

13 48. Griffithe asked existing Investors to rescind their original transactions  
14 involving RTSI and to “subscribe” to a new offer and sale of securities by GAP. Not  
15 all Investors rescinded their earlier transactions or entered into subsequent GAP  
16 Subscription Agreements.

17 49. Beginning in approximately August 2017, Griffithe offered and sold  
18 securities to new Investors using “Subscription Agreements” executed by Griffithe as  
19 Manager of GAP.

20 50. The Subscription Agreements represented that GAP had purchased a  
21 49% stake in SMRB. The Subscription Agreements offered Investors a “membership  
22 interest” in GAP that purportedly would entitle the Investor to receive a proportional  
23 share of SMRB’s net revenue.

24 51. During the Relevant Time Period, Griffithe and Russell communicated  
25 regularly with one another about the efforts to raise money from Investors, and  
26 thereby each knew, or was reckless in not knowing, that numerous Investors had  
27 purchased securities in the offerings that purported to convey an ownership stake  
28 and/or profit-sharing interest in SMRB.

1           52. During the Relevant Time Period, Griffithe and Russell also  
2 communicated regularly with one another about how they were using the proceeds of  
3 the Investors' investments, and thereby each knew, or was reckless in not knowing,  
4 that Defendants were expending Investor money for purposes not disclosed, or  
5 contrary to the disclosures, they had made to Investors.

6                   ***Griffithe, RTSI, and GAP Violated the Registration Provisions of the***  
7                   ***Federal Securities Laws***

8           53. No registration statements were filed with the Commission or in effect as  
9 to any of the securities transactions described herein.

10           54. No exemptions to the registration requirements of the federal securities  
11 laws were applicable to any of transactions with Investors described herein.

12           55. Griffithe, RTSI, and GAP made no attempt to comply, and did not  
13 comply, with the federal securities laws regarding the registration, or the exemption  
14 from registration, of securities offered or sold to Investors in interstate commerce.

15                   ***Defendants Offered and Sold Fictitious Securities to Investors***

16           56. Defendants' misstatements and deceptive conduct defrauded Investors  
17 into believing that they were purchasing ownership interests in SMRB and/or that  
18 they were to receive profit distributions based on the net income generated by SMRB  
19 from its cannabis operations.

20           57. However, the securities interests Defendants sold to Investors were  
21 fictitious, as they did not actually convey any *bona fide* ownership or income-sharing  
22 stake in SMRB.

23           58. Defendants, acting with scienter, engaged in sham transactions in which  
24 they obtained millions of dollars from Investors by selling them essentially worthless  
25 securities.

26           59. Defendants' representations to Investors that they were acquiring equity  
27 in SMRB or a right to share in the company's profits were material to Investors'  
28 investment decisions. As described herein, these representations were fraudulent

1 because, in reality, Defendants did not sell Investors anything of actual economic  
2 substance or value.

3 60. Defendants were at least reckless in selling securities to numerous out-  
4 of-state Investors who were prohibited under Washington law from investing in  
5 SMRB, and to Investors whose involvement and investments had not been approved  
6 by the Washington State Liquor and Cannabis Board.

7 61. Defendants also did not treat the Investors as true stakeholders of SMRB  
8 with any beneficial rights to SMRB's profits or equity.

9 62. For example, Defendants did not provide Investors with certificates or  
10 other documentation related to the interests they had purchased.

11 63. Defendants also did not create or maintain basic records identifying the  
12 Investors, when they invested, how much they invested, or what was returned to  
13 Investors in the form of dividend or profit distributions, interest, or principal.

14 64. Defendants did not account for the Investors' interests in any form in  
15 their respective financial statements and accounting books and records; did not  
16 identify any of the Investors on their returns filed with the Internal Revenue Service;  
17 and otherwise kept no records the amounts of equity the Investors owned.

18 65. In fact, throughout the continuation of the scheme, as described herein,  
19 Defendants disregarded Investors as *bona fide* stakeholders in SMRB by lying to  
20 them, cheating them, and misusing the proceeds of their investments.

21 ***Defendants Misused Investor Funds for Extravagant Luxuries,***  
22 ***Inappropriate Personal Expenditures, and Unrelated Business Ventures***

23 66. During the Relevant Time Period, Defendants induced Investors to  
24 invest by making representations that their money would be used for the purpose of  
25 operating and expanding SMRB's marijuana business. As described herein,  
26 Defendants misused Investor money contrary to Investors' expectations to unjustly  
27 enrich Griffithe, Russell, Sonja Russell, RTSI, GAP, SMRB, and others.

28 ///

1           67. Most Investors purchased their securities from Defendants via check,  
2 wire transfer, or bank transfer. Their money was deposited into RTSI and GAP bank  
3 accounts controlled by Griffithe.

4           68. Investor money was commingled with other funds in RTSI's or GAP's  
5 bank accounts. Griffithe, RSTI, and GAP did not make or maintain records to  
6 account for their uses of Investor money.

7           69. Of the approximately \$4.85 million raised from Investors, Griffithe spent  
8 over \$1.8 million for personal uses and other inappropriate expenditures for himself,  
9 Russell, and others, during the Relevant Time Period, including payments towards:

- 10           a. 2008 Bentley Continental,
- 11           b. 2012 Mercedes Benz C Class,
- 12           c. 2013 Ford Mustang,
- 13           d. 2015 Porsche Panamera,
- 14           e. \$250,000 towards a 65-foot Pacific Mariner yacht bought by  
15           Russell and Sonja Russell,
- 16           f. \$25,000 towards a 42-foot Hydrasport custom power boat,
- 17           g. Expenditures for Griffithe's unrelated business ventures, including  
18           Bridgegate Pictures Corp. and other of Griffithe's undertakings in  
19           the movie industry.

20           70. Griffithe also withdrew substantial sums of cash from RTSI's bank  
21 accounts.

22           71. In addition, during the Relevant Time Period, Griffithe transferred  
23 approximately \$1.7 million to Russell's personal bank accounts that he co-owned  
24 with Sonja Russell. Russell commingled the \$1.7 million of Investor money with his  
25 and his wife's own funds, and did not maintain accounting records reflecting if or  
26 how he spent the Investors' funds.

27           72. Russell's commingling of money and lack of record-keeping obscured  
28 the ways in which he used money derived from Investors.

1           73.    However, even if Russell used Investor money that was deposited into  
2 his personal bank account to finance, reimburse, or to later buy property or make  
3 improvements related to the marijuana business, SMRB, Russell, and Sonja Russell  
4 were the sole beneficiaries of those expenditures. None of those expenditures inured  
5 to the benefit of the Investors, because neither Russell, SMRB, nor Washington law  
6 regarded the Investors as having purchased any lawful ownership stake in the  
7 company that would give them a claim to SMRB's assets or operating profits.

8           74.    Defendants concealed from Investors that Griffithe and Russell misspent  
9 their money on expenditures unrelated to SMRB, including buying cars and yachts,  
10 paying personal living expenses, funding unrelated businesses, and paying for other  
11 things that did not benefit Investors.

12                           ***Defendants Misled Investors about SMRB's Profitability***

13           75.    Defendants misled Investors into believing that their investment was  
14 profitable, despite Defendants knowing that SMRB had never generated a profit.

15           76.    To create and maintain this false appearance of profitability, Griffithe,  
16 RTSI, and GAP lied to Investors and undertook elaborate deceptive acts to make it  
17 appear that Investors were receiving returns on their investments from the business  
18 operations of SMRB, including issuing misleading financial statements and paying  
19 Investors money that falsely purported to be profit distributions.

20           77.    SMRB created "Profit & Loss" statements that purported to present the  
21 income generated and expenses incurred by SMRB from its operations during the  
22 relevant reporting periods.

23           78.    However, certain versions of the Profit & Loss statements omitted or  
24 understated SMRB's actual expenses and created the appearance that SMRB was  
25 profitable, when it was not.

26           79.    SMRB provided these financial statements to Griffithe, RTSI, and GAP.  
27 Griffithe, RTSI, and GAP, in turn, distributed SMRB's Profit & Loss reports to the  
28 Investors.

1 80. Russell and SMRB were at least reckless in disregarding the risk that  
2 SMRB's Profit & Loss statements would be provided to Investors and create the  
3 misimpression that the SMRB was profitable, which Russell knew was untrue.

4 81. Defendants, who all knew that SMRB was never profitable, were at least  
5 reckless in failing to contemporaneously disclose to Investors that the Profit & Loss  
6 statements omitted or understated the actual expenses incurred by SMRB and that the  
7 "profits" shown therein were untrue.

8 82. Investors also believed SMRB was profitable because they received  
9 newsletters and other updates from Defendants that falsely touted SMRB's financial  
10 success. One newsletter dated June 30, 2016, referred to SMRB's "modest profit."  
11 Another newsletter from November 2017, stated: "We are working with a 40% profit  
12 margin about [sic] acquisition, packaging and distribution to the retailers. This along  
13 with the flower will move us into the gross revenue range of 1.3-1.4M per month  
14 with profits at 40-42%. WE ARE HERE!!!!!!" Griffithe authored these false  
15 statements and issued them to Investors with Russell's approval.

16 83. To further the illusion of SMRB's profitability, between approximately  
17 May 2016 and December 2017, Griffithe paid money to Investors from RTSI's and  
18 GAP's bank accounts. Griffithe controlled the bank accounts from which these  
19 payments were made.

20 84. In total, Griffithe paid Investors at least \$340,000, mostly in the form of  
21 checks that referred to these payments on the memo line as "distributions."

22 85. The misleading financial statements, newsletters that portrayed SMRB  
23 as profitable, and purported distribution payments operated as a fraud or deceit on  
24 Investors to make them believe that their investments had value and were generating  
25 profits.

26 86. Creating the illusion of profitability enabled Defendants to prolong the  
27 scheme. For example, some Investors who believed the investments were generating  
28 returns referred new potential investors to Defendants.

1 ***Griffithe, RTSI, and GAP Operated a Ponzi Scheme***

2 87. Griffithe, RTSI, and GAP operated a Ponzi scheme in which they paid  
3 money to Investors that purported to be distributions of profits generated by SMRB,  
4 but were in fact funded in part out of the capital contributed by other Investors.

5 88. In approximately December 2017, RTSI and GAP stopped paying  
6 Investors purported profit distributions. By this time, RTSI's and GAP's bank  
7 accounts had been largely depleted due to Griffithe's profligate spending, his inability  
8 to obtain new capital from investors, and SMRB's inability to generate profits from  
9 its operations.

10 89. As Investors became increasingly concerned that their investment was  
11 no longer paying returns, on or about August 16, 2018, Griffithe and Russell held a  
12 conference via telephone to provide a company update and to answer numerous  
13 questions from Investors.

14 90. On or about the same date, Griffithe emailed a "Q&A" to certain  
15 Investors to address some of the Investors' concerns prior to the conference call.  
16 Russell reviewed, edited, and approved the contents of the email before its  
17 transmission to the Investors. The email to Investors was signed from "Bob,"  
18 referring to Russell.

19 91. In the email and on the conference call, Griffithe admitted that SMRB  
20 was never profitable and did not provide any of the cash to fund the distribution  
21 payments to Investors.

22 92. In the August 16, 2018, email and conference call, Griffithe falsely  
23 characterized the distributions he had paid as "gifts" that he personally funded in  
24 "good faith." Griffithe knew the distributions were not personal "gifts," because they  
25 were partially funded out of the Investors' own money. Griffithe also was acting  
26 with a high degree of scienter, or intent to deceive, when he made the payments, and  
27 not out of "good faith."

28 ///



1           93. For at least a year and a half prior to the August 2018 conference call  
2 and corresponding email, Russell knew that Griffithe was making so-called  
3 distributions payments that Investors believed were paid out of the profits of SMRB.  
4 Russell knew that the distributions were not actually funded by Russell or SMRB,  
5 and that SMRB was not profitable.

6           94. Griffithe privately told Russell and one other person on or about  
7 February 1, 2017, that the purported profit distributions he had paid to Investors was  
8 “just money that I’ve come up with in closing other deals.”

9           95. Indeed, between May 2016 and December 2017, Griffithe, RTSI, and  
10 GAP paid Investors at least \$340,000 in phony distributions. As is characteristic of a  
11 Ponzi scheme or pyramid scheme, Griffithe used money he obtained from selling  
12 SMRB securities to Investors to fund, in part, the distributions paid to other Investors.  
13 None of the money distributed to Investors actually derived from profits generated by  
14 SMRB’s business operations.

15           96. As an example, on January 25, 2017, one Investor wrote a check to RTSI  
16 for \$100,000 to purchase, as indicated on the memo line of the Investor’s check, “1%  
17 ownership.” At the time of this deposit, RTSI’s bank accounts were overdrawn by  
18 more than \$300. As a result, all of the following outflows were necessarily funded  
19 from this Investor’s deposit. On the very same day the Investor gave his check,  
20 Griffithe wrote and signed at least six checks drawn from RTSI’s account payable to  
21 earlier Investors for purported “4th Quarter Distributions,” totaling approximately  
22 \$39,000. Griffithe made other expenditures from the new Investor’s money,  
23 including withdrawing \$25,000 in cash and making payments for projects related to  
24 his movie business. However, Griffithe did not transmit any of this capital to  
25 SMRB’s bank accounts, as the Investor intended. Within a week, only about \$1,200  
26 of the Investor’s capital remained in RTSI’s bank account.

27           97. As a result of the fraud alleged herein, Investors suffered financial losses  
28 of approximately \$4.85 million.

1 **FIRST CLAIM FOR RELIEF**

2 **Violations of Exchange Act Section 10(b) and Rule 10b-5 Thereunder**  
3 ***(Against All Defendants)***

4 98. The Commission realleges and reincorporates paragraphs 1 through 97  
5 as if fully set forth herein.

6 99. By reason of the conduct described above, Defendants, in connection  
7 with the purchase or sale of securities, by the use of the means or instrumentalities of  
8 interstate commerce or of the mails, or of any facility of any national securities  
9 exchange, directly or indirectly, knowingly or recklessly (1) employed devices,  
10 schemes, or artifices to defraud and/or (2) made untrue statements of material facts or  
11 omitted to state material facts necessary in order to make the statements made, in  
12 light of the circumstances under which they were made, not misleading and/or (3)  
13 engaged in acts, practices, or courses of business which operates or would operate as  
14 a fraud or deceit upon any persons, including purchasers or sellers of the securities.

15 100. By reason of the actions alleged herein, Defendants violated Exchange  
16 Act Section 10(b) [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §  
17 240.10b-5(a) and (c)].

18 101. Unless enjoined or otherwise restrained, Defendants will continue to  
19 violate Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder  
20 [17 C.F.R. § 240.10b-5].

21 **SECOND CLAIM FOR RELIEF**

22 **Violations of Securities Act Section 17(a)**  
23 ***(Against All Defendants)***

24 102. The Commission realleges and reincorporates paragraphs 1 through 97  
25 as if fully set forth herein.

26 103. Defendants, directly or indirectly, by use of means of instrumentalities  
27 of transportation or communication in interstate commerce or by use of the mails, in  
28 the offer or sale of securities: (a) knowingly or recklessly employed devices, schemes

1 or artifices to defraud; (b) knowingly, recklessly, or negligently obtained money or  
2 property by means of untrue statements of material fact, or have omitted to state  
3 material facts necessary in order to make the statements made, in light of the  
4 circumstances under which they were made, not misleading; and (c) knowingly,  
5 recklessly, or negligently engaged in transactions, practices, or courses of business  
6 which operated or would operate as a fraud or deceit upon the purchasers of  
7 securities.

8 104. By reason of the actions alleged herein, Defendants violated Securities  
9 Act Sections 17(a)(1) and 17(a)(3) [15 U.S.C. § 77q(a)(1), (3)]. By obtaining money  
10 and property by means of the various materially false and misleading written and oral  
11 statements, Defendants also violated Securities Act Section 17(a)(2) [15 U.S.C. §  
12 77q(a)(2)].

13 105. Unless enjoined or otherwise restrained, Defendants will continue to  
14 violate Securities Act Section 17(a) [15 U.S.C. § 77q(a)].

15 **THIRD CLAIM FOR RELIEF**  
16 **Violations of Securities Act Section 5(a) and 5(c)**  
17 ***(Against Defendants Griffithe, RTSI, and GAP)***

18 106. The Commission realleges and reincorporates paragraphs 1 through 97  
19 as if fully set forth herein.

20 107. Defendants Griffithe, RTSI, and GAP directly or indirectly, singly  
21 and/or in concert with others: (1) without having any registration statement in effect  
22 as to the securities transactions, (a) made use of the means or instrumentalities of  
23 transportation or communication or the mails in interstate commerce to sell securities  
24 through the use or medium of a prospectus or otherwise, or (b) carried or caused to be  
25 carried such securities for the purpose of sale or for delivery after sale; and (2) made  
26 use of the means or instrumentalities of transportation or communication or the mails  
27 in interstate commerce to sell or offer to buy through the use or medium of a  
28 prospectus or otherwise securities as to which a registration statement had not been

1 filed as to such securities.

2 108. By reason of the actions alleged herein, the defendants violated Sections  
3 5(a) and (c) of the Securities Act [*15 U.S.C. § 77e(a) & (c)*].

4 109. Unless enjoined or otherwise restrained, the defendants will continue to  
5 violate Securities Act Sections 5(a) and (c) [*15 U.S.C. § 77e(a) & (c)*].

6 **FOURTH CLAIM FOR RELIEF**

7 **Unjust Enrichment**

8 ***(Against Relief Defendant Sonja Marie Russell)***

9 110. The Commission realleges and reincorporates paragraphs 1 through 97  
10 as if fully set forth herein.

11 111. As described above, Defendants engaged in a fraudulent scheme to  
12 defraud investors in connection with the offer, purchase, or sale of unregistered  
13 securities of SMRB and to use the money raised in such offerings to unjustly enrich  
14 themselves, Relief Defendant Sonja Russell, and others in the form of cash, property,  
15 and other benefits. Sonja Russell shared at least two bank accounts with Russell into  
16 which approximately \$1.7 million of investor money was deposited. Also, as one of  
17 the two owners and governor members of SMRB along with Russell, Sonja Russell  
18 also benefitted from property acquired, improvements made, and expenses paid with  
19 investor money on behalf of SMRB. Sonja Russell was also unjustly enriched by the  
20 expenditure of \$250,000 of investor money towards the purchase of a 65-foot Pacific  
21 Mariner yacht that she co-owns with Russell. Sonja Russell has no legitimate claim  
22 to the funds, property and benefits described above, and has thus been unjustly  
23 enriched under circumstances in which it is not just, equitable, or conscionable for  
24 her to retain such profits.

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**PRAYER FOR RELIEF**

1  
2 WHEREFORE, the Commission respectfully requests that the Court enter a  
3 judgment:

4 (a) finding that Defendants violated the antifraud provisions of the federal  
5 securities laws as alleged herein;

6 (b) finding that Defendants Griffithe, RTSI, and GAP violated the  
7 registration provisions of the federal securities laws as alleged herein;

8 (c) permanently enjoining each Defendant from violating Securities Act  
9 Section 17(a) and Exchange Act Section 10(b) and Rule 10b-5 thereunder;

10 (d) permanently enjoining Defendants Griffithe, RTSI, and GAP from  
11 violating Securities Act Sections 5(a) and (c),

12 (e) permanently enjoining Defendant Griffithe from directly or indirectly,  
13 including, but not limited to, through any entity owned or controlled by Griffithe,  
14 participating in the issuance, purchase, offer, or sale of any security in an unregistered  
15 offering by an issuer, provided, however, that such Order shall not prevent him from  
16 purchasing or selling securities for his own personal account;

17 (f) ordering each Defendant to disgorge all ill-gotten gains, plus  
18 prejudgment interest thereon, wrongfully obtained as a result of their illegal conduct;

19 (g) ordering the Relief Defendant to disgorge all ill-gotten gains, plus  
20 prejudgment interest thereon, obtained as a result of Defendants' illegal conduct  
21 alleged in this Complaint;

22 (h) ordering each Defendant to pay civil penalties pursuant to Securities Act  
23 Section 20(d) [*15 U.S.C. § 77t(d)*] and Exchange Act Section 21(d) [*15 U.S.C.*  
24 *§ 78u(d)*];

25 (i) permanently barring Defendant Griffithe, pursuant to Securities Act  
26 Section 20(e) [*15 U.S.C. § 77t(e)*] and Exchange Act Section 21(d)(2) [*15 U.S.C.*  
27 *§ 78u(d)(2)*], from serving as an officer or director of any issuer that has a class of  
28

1 securities registered pursuant to Exchange Act Section 12 [15 U.S.C. §78l] or that is  
2 required to file reports pursuant to Exchange Act Section 13 [15 U.S.C. §78m]; and

3 (j) granting such other relief to the Commission as the Court may deem just  
4 and proper.

5  
6  
7 Dated: January 21, 2020

/s/ Gary Y. Leung

Gary Y. Leung

Duane K. Thompson

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14  
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1 **DEMAND FOR JURY TRIAL**

2 Pursuant to Rule 39 of the Federal Rules of Civil Procedure and C.D. Cal. L.R.  
3 38-1, Plaintiff demands that this case be tried to a jury.

4  
5 Dated: January 21, 2020

/s/ Gary Y. Leung  
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# Complaints and Other Initiating Documents

[8:20-cv-00124 Securities and Exchange Commission v. Griffithe et al](#)

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

## Notice of Electronic Filing

The following transaction was entered by Leung, Gary on 1/21/2020 at 7:58 AM PST and filed on 1/21/2020

**Case Name:** Securities and Exchange Commission v. Griffithe et al

**Case Number:** [8:20-cv-00124](#)

**Filer:** Securities and Exchange Commission

**Document Number:** [1](#)

### Docket Text:

**COMPLAINT No Fee Required - US Government, filed by Plaintiff Securities and Exchange Commission. (Attorney Gary Y Leung added to party Securities and Exchange Commission(pty:pla))(Leung, Gary)**

**8:20-cv-00124 Notice has been electronically mailed to:**

Gary Y Leung leungg@sec.gov, irwinma@sec.gov, larofiling@sec.gov, longoa@sec.gov

**8:20-cv-00124 Notice has been delivered by First Class U. S. Mail or by other means BY THE FILER to :**

The following document(s) are associated with this transaction:

**Document description:**Main Document

**Original filename:**F:\marcelom\Griffithe\Complaint (for filing).pdf

**Electronic document Stamp:**

[STAMP cacdStamp\_ID=1020290914 [Date=1/21/2020] [FileNumber=29125439-0]  
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525be5cbd34b4595a5d0650cce84d4b5d9b2d0c90b38e26cda58e2ba54977]]