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

11 UNITED STATES SECURITIES
12 AND EXCHANGE COMMISSION,

13 Plaintiff,

14 vs.

15 BUD GENIUS, INC. and AARON
16 "ANGEL" STANZ

17 Defendants.

Case No. '18CV1005 MMAKSC

COMPLAINT

18 Plaintiff, the United States Securities and Exchange Commission (the
19 "Commission"), alleges:

20 **JURISDICTION AND VENUE**

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

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

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. §
5 78aa(a)] because certain of the transactions, acts, practices and courses of conduct
6 constituting violations of the federal securities laws occurred within this district and
7 elsewhere, and because certain Defendants resided in this district. Venue also is
8 appropriate pursuant to 28 U.S.C. § 1391. A substantial part of the events or
9 omissions giving rise to the claims occurred within this district. 28 U.S.C. §
10 1391(b)(2).

11 SUMMARY

12 4. Throughout 2014 and 2015, Bud Genius, Inc. (“Bud Genius”), a penny-
13 stock medical marijuana testing company, and its CEO Aaron “Angel” Stanz
14 (“Stanz”), engaged in a scheme to defraud investors regarding Bud Genius’ business
15 operations and financial condition to make Bud Genius look more valuable and
16 attractive as a start-up company and potential investment. This fraudulent scheme
17 helped facilitate an unregistered offering of the securities of Bud Genius, which
18 generated approximately \$540,000 in illicit profits to Bud Genius, Stanz, and others.
19 It also coincided with the burgeoning marijuana industry as a potentially attractive
20 investment given the recent legalization of recreational marijuana in several states,
21 and subsequent commercial sales of recreational marijuana.

22 DEFENDANTS

23 5. **Bud Genius**, formerly Rightsmile, Inc. (“Rightsmile”), was a Wyoming
24 corporation headquartered in San Diego County, California. Bud Genius’ primary
25 business involved the testing and analysis of strains of medical marijuana and
26 providing a social web platform designed to assist patients in selecting cannabis
27 medicine paired to their specific needs. Bud Genius’ common stock was quoted
28 under the ticker “RIGH” on OTC Link operated by OTC Markets Group, Inc. (“OTC

1 Markets”), an electronic inter-dealer quotation system that displays quotes from
2 broker-dealers for securities of companies not registered with the Commission and
3 not listed on stock exchanges. At all relevant times, Bud Genius did not have a
4 reporting obligation under the Securities Act and its common stock qualified as a
5 penny stock under Section 3(a)(51) of the Exchange Act and Rule 3a51-1 thereunder.

6 6. **Aaron “Angel” Stanz**, age 43, resides in San Diego, California. He was
7 the CEO and sole director of Bud Genius. Stanz also co-founded and co-ran several
8 charter jet brokering companies, and occasionally consulted for another charter jet
9 company.

10 **OTHER RELEVANT INDIVIDUALS AND ENTITIES**

11 7. **Taylor Moffitt**, aka Taylor Moffitt of Halydean, age 45, is a resident of
12 Eagle Grove, Iowa. Moffitt was a venture capitalist operating through various
13 companies. Moffitt had control over several bank and brokerage accounts in the
14 name of U.S. CoProducts, LLC, and provided administrative services for U.S.
15 CoProducts, LLC as an independent contractor.

16 8. **Carlos Febles**, age 55, is a resident of Ocala, Florida. Febles was a
17 former multimedia and sales consultant. Febles was a business partner with Moffitt
18 in his venture capital firms. He also owned U.S. CoProducts, LLC.

19 9. **U.S. CoProducts, LLC** was an Iowa limited liability company owned
20 by Febles and created by him in November 2013. U.S. CoProducts was to be
21 involved in the removal and processing of deceased farm animals, although it never
22 had any active business operations.

23 **FACTUAL ALLEGATIONS**

24 **I. BACKGROUND**

25 10. Stanz and a former business partner began Bud Genius in 2010 as a
26 private company in the business of testing strains of medical marijuana and providing
27 a social web platform designed to assist patients in selecting cannabis medicine
28 paired to their specific needs. In or about November 2011, Stanz parted ways with

1 his former business partner and continued operations under BG Medical
2 Technologies, Inc., doing business as Bud Genius.

3 11. Around the same time, Stanz met a venture capitalist through another
4 business associate, who both advised Stanz to take Bud Genius public as a means of
5 raising additional capital. The venture capitalist located Rightsmile, a public
6 company then purportedly in the business of online marketing and development, and
7 installed Stanz's business associate to serve as CEO for a brief period of time. On
8 January 18, 2012, Stanz and the venture capitalist caused Bud Genius to complete a
9 reverse merger with Rightsmile. The resulting public company began doing business
10 as Bud Genius with Stanz taking over as CEO.

11 12. Bud Genius' common stock had been quoted on OTC Markets under the
12 ticker "RIGH" since the reverse merger with Rightsmile. No registration statement
13 has ever been filed with the Commission or has been in effect for the offer or sale of
14 Bud Genius stock.

15 **II. BUD GENIUS AND STANZ MAKE FALSE AND MISLEADING**
16 **STATEMENTS AND ENGAGE IN OTHER DECEPTIVE CONDUCT**

17 13. Throughout 2014 and 2015, Bud Genius and Stanz engaged in a
18 fraudulent scheme to disseminate false information about Bud Genius' business
19 operations and financial condition in an attempt to increase interest in Bud Genius'
20 stock, as well as to attract the infusion of capital from third party financiers.

21 **A. FALSE AND MISLEADING PRESS RELEASES AND OTHER**
22 **DISCLOSURES**

23 14. From July 2014 through at least April 2015, Bud Genius and Stanz
24 issued numerous false and misleading press releases and other disclosures related to a
25 new subsidiary, Genius Biotech, and the purported acquisition of celebrity
26 partnerships and endorsements. Stanz authored most of these disclosures, including
27 press releases and investor brochures, and had ultimate authority and control over the
28 content of all disclosures issued by Bud Genius.

1 later – on September 16, 2014 – when incorporation documents were filed with the
2 State of Delaware.

3 19. Further, the August 20 press release deceived investors by giving the
4 misleading impression that Genius Biotech was an operating business. In fact, Bud
5 Genius and Stanz knew, but did not disclose, that Genius Biotech never had any
6 business operations or employees; it was merely a shell entity.

7 20. On October 10, 2014, Bud Genius and Stanz issued another false press
8 release stating that “exclusive celebrity endorsement contracts are being negotiated
9 by Bud Genius’ new subsidiary, Genius Biotech Corporation. . . .” This press release
10 furthered the deception on investors by giving them the false impression that Genius
11 Biotech was engaged in active business operations, when in fact, as known by Bud
12 Genius and Stanz, it was a non-operating shell entity.

13 **2. False and Misleading Press Releases Regarding Celebrity**
14 **Partnerships and Endorsements**

15 21. Subsequent to the above October 10, 2014 press release, Bud Genius and
16 Stanz issued several false and misleading press releases and other disclosures to
17 potential investors regarding its failed attempts at becoming a licensee of celebrity-
18 endorsed products, including those endorsed by comedian Tommy Chong.

19 **a. Press Releases Regarding Bud Genius as a Licensee of**
20 **Celebrity-Endorsed Products**

21 22. In at least six press releases issued throughout March and April 2015,
22 beginning with one issued on or about March 5, 2015, Bud Genius described itself as
23 “a licensee of celebrity-endorsed marijuana and hemp related merchandise.” These
24 press releases deceived investors because Bud Genius was never, at the time of the
25 press releases or any time thereafter, a “licensee of celebrity-endorsed marijuana and
26 hemp related merchandise.” A proposed acquisition to obtain licensing rights
27 associated with Tommy Chong never materialized, and Bud Genius was never a
28 licensee of any celebrity-endorsed products.

1 it expired on April 1, 2015, only **two days after** the issuance of the press release.
2 Bud Genius and Stanz knew, but did not disclose, that consummating the acquisition
3 by April 1 was extremely unlikely given Bud Genius' weak financial position and the
4 lack of any imminent, credible financing options.

5 26. Despite the false and misleading statements to the contrary, Bud Genius
6 never acquired Evergreen or its associated licensing rights to Tommy Chong
7 products, and was never was a licensee of any celebrity-endorsed products.

8 **c. Stanz Personal Blog Post**

9 27. Stanz posted several articles on his personal blog, which Bud Genius
10 investors followed, which furthered the misleading nature of the above disclosures.
11 On March 27, Stanz misleadingly stated that “[w]e are moments away from a major
12 announcement” and he described a meeting and dinner “with our new brand
13 partner(s).” And on March 30, 2015, Stanz misleadingly claimed that the LOI
14 announcement was a “crowning achievement” and emphasized the “magnitude of this
15 announcement.” Stanz also characterized Evergreen as “[o]ur partners and
16 acquisition,” and stated that “We are proud to be working with Tommy Chong . . . the
17 most powerful cannabis brand in existence . . . **and Bud Genius has it.**” (Emphasis
18 in original).

19 28. Reasonable investors reading these statements, combined with the March
20 30 press release, would have been misled into believing that Bud Genius either had
21 acquired Evergreen, and along with it the licensing rights to Tommy Chong products,
22 or that such an acquisition was imminent.

23 **d. Media Reports Regarding the Tommy Chong Release**

24 29. Several news outlets, including the San Diego Union-Tribune, The
25 Business Journals, Cannabis Financial Network (“CFN”), and CannaNews,
26 erroneously reported that Bud Genius had acquired, or had agreed to acquire,
27 licensing rights for Tommy Chong cannabis-related products. These reports reflected
28 that the public was in fact misled by Bud Genius' and Stanz's misstatements and