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8 **UNITED STATES DISTRICT COURT**
9 **WESTERN DISTRICT OF WASHINGTON**
10 **SEATTLE DIVISION**
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12 SECURITIES AND EXCHANGE
13 COMMISSION,

14 Plaintiff,

15 v.

16 JUSTIN COSTELLO and
17 DAVID FERRARO

18 Defendants.

CASE NO.

COMPLAINT
JURY DEMAND

19 Plaintiff Securities and Exchange Commission (the “SEC” or the “Commission”), for its
20 complaint against Defendants Justin Costello (“Costello”) and David Ferraro (“Ferraro”) alleges
21 as follows:
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SUMMARY

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2 1. This action involves Costello's numerous schemes to defraud investors, all of
3 which violated the antifraud provisions of the federal securities laws. Costello, who claimed to
4 be building a conglomerate in the cannabis industry, falsely portrayed himself to the public as a
5 billionaire with a Harvard MBA, a military veteran, and a hedge fund manager with years of
6 experience on Wall Street. Between at least July 2019 and August 2020, Costello used these and
7 other fictitious credentials to gain investors' trust and to defraud them out of millions of dollars.

8 2. First, Costello disseminated materially false or misleading information about his
9 educational and professional credentials to the investing public, including in a Commission filing
10 for GRN Holding Corporation Nevada ("GRNF"), a publicly traded microcap company of which
11 Costello was CEO. In a press release for GRNF, Costello also disseminated materially false or
12 misleading information about a purported banking entity that Costello owned and that GRNF
13 would allegedly acquire.

14 3. Second, after using his fabricated accomplishments to become an investment
15 adviser to a married couple, Costello sold the couple \$1.8 million in stock at an over 9,000
16 percent markup without adequately disclosing the markup to them. Costello further used the
17 same advisory clients' \$4 million brokerage account to trade securities of companies in which he
18 had an undisclosed financial interest and to conduct insider trading.

19 4. Third, Costello obtained approximately \$700,000 in investments from 13
20 investors for a closely-held company that shared a name with GRNF but that was in fact a
21 separate, private entity owned and controlled by Costello. As a result of Costello's materially
22 false or misleading statements, investors were led to believe that they were buying shares of
23 GRNF, and not shares of the private entity.
24

5. Fourth, Costello obtained approximately \$200,000 in investments from 19 investors for a private company that Costello purportedly planned to turn into a publicly traded cannabis-related company. Certain of the investors attended a presentation during which Costello again emphasized his false professional credentials, including his purported experience as an investment banker in the cannabis industry. In addition, for at least \$50,000 of the investments in the private company, Costello misappropriated the funds by depositing them in an account for yet a different company that Costello controlled.

6. Fifth, from at least October 2019 through January 2021 Costello and Ferraro engaged in stock promotion schemes in which Ferraro recommended to his Twitter followers and the public at least five microcap stocks that Costello owned. Ferraro failed to disclose that he and Costello intended to sell shares of those stocks as the price of those stocks rose, or that Costello would pay Ferraro a portion of his profits from those sales. Costello profited approximately \$683,000 from these schemes, of which he shared approximately \$32,000 with Ferraro. Ferraro profited approximately \$41,000 from his own trading in these schemes.

7. Additionally, in July 2019, December 2019, and January 2020, Ferraro separately conducted his own stock promotion schemes with respect to two additional microcap stocks, generating profits of approximately \$68,000.

VIOLATIONS

8. By engaging in the conduct set forth in this Complaint, Defendants violated Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10-b5]. Costello further violated Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 (“Advisers Act”) [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

1 9. Unless the Defendants are permanently restrained and enjoined, they will
2 continue to engage in the acts, practices, and courses of business set forth in this Complaint and
3 in acts, practices, and courses of business of similar type and object.

4 **NATURE OF THE PROCEEDING AND RELIEF SOUGHT**

5 10. The Commission brings this action pursuant to the authority conferred upon it by
6 Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)], Section 21(d) of the Exchange Act [15
7 U.S.C. § 78u(d)], and Section 209(d) of the Advisers Act [15 U.S.C. § 80b-9(d)].

8 11. The Commission seeks a final judgment: 1) permanently enjoining the Defendants
9 from ongoing or future violations of the federal securities laws and rules this Complaint alleges
10 they have violated; 2) ordering the Defendants to disgorge all ill-gotten gains they received as a
11 result of the violations alleged herein and to pay prejudgment interest thereon pursuant to
12 Sections 21(d)(3) [15 U.S.C. § 78u(d)(3)], 21(d)(5) [15 U.S.C. § 78u(d)(5)], and 21(d)(7) [15
13 U.S.C. § 78u(d)(7)] of the Exchange Act; 3) ordering the Defendants to pay civil money
14 penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], Section 21(d)(3) of
15 the Exchange Act [15 U.S.C. § 78u(d)(3)], and, as to Costello, also Section 21A of the Exchange
16 Act [15 U.S.C. §§ 78u-1(a)(1)-(2)] and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-
17 9(e)]; 4) prohibiting the Defendants from participating in any offering of a penny stock, pursuant
18 to Securities Act Section 20(g) [15 U.S.C. § 77t(g)] and Exchange Act Section 21(d)(6) [15
19 U.S.C. § 78u(d)(6)]; 5) prohibiting Costello from serving as an officer or director of any public
20 company pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and Section
21 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)]; and 6) ordering any further relief that the
22 Court may deem just and proper.

JURISDICTION AND VENUE

12. This Court has jurisdiction over this action pursuant to Sections 22(a) of the Securities Act [15 U.S.C. § 77v(a)], Section 27 of the Exchange Act [15 U.S.C. § 78aa], and Section 214 of the Advisers Act [15 U.S.C. § 80b-14].

13. The Defendants, directly or indirectly, have made use of the means or instrumentalities of interstate commerce or of the mails in connection with the transactions, acts, practices, and courses of business alleged herein.

14. Venue lies in this District under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], Section 27 of the Exchange Act [15 U.S.C. § 78aa], and Section 214 of the Advisers Act [15 U.S.C. § 80b-14]. Certain of the acts, practices, transactions, and courses of business alleged in this Complaint occurred within this District. Among other things, Costello made certain of the false statements described herein, and placed certain of the trades described herein, while physically present in this District. Costello also made certain transfers to Ferraro from bank accounts owned by entities located in this District and engaged in stock promotion schemes with Ferraro while within this District.

DEFENDANTS

15. **Costello**, age 42, currently resides in La Jolla, California. Until August 2022, Costello was the CEO and sole Director of GRNF. Costello also was the Chairman of Hempstract Inc. (“Hempstract”) until May 2021. Costello is the majority shareholder of GRN Holding Corporation Washington (“GRN Holding (WA)”) and is the sole owner of GRN Funds, LLC (“GRN Funds”). Costello is not registered with the Commission as a broker or an investment adviser.

16. **Ferraro**, age 44, is a resident of Radford, VA. During the time period of the stock promotion schemes described herein, Ferraro controlled a Twitter account under the handle

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