

1 DEREK BENTSEN (Cal. Bar No. 232550)

Email: bentsend@sec.gov

2 TIMOTHY N. ENGLAND (Cal. Bar No. 140332)

Email: EnglandT@sec.gov

3 STEPHEN T. KAISER

Email: Kaisers@sec.gov

4 ELIZABETH MARSHALL ANDERSON

Email: MarshallAndersonE@sec.gov

5 100 F Street, NE

Washington, DC 20549

6 Telephone: (202) 551-6426 (Bentsen)

Facsimile: (202) 772-9282 (Bentsen)

7 LOCAL COUNSEL

8 DANIEL O. BLAU (Cal. Bar No. 305008)

Email: blaud@sec.gov

9 444 S. Flower Street, Suite 900

Los Angeles, California 90071

10 Telephone: (323) 965-3306

Facsimile: (213) 443-1904

11 Attorneys for Plaintiff

12 Securities and Exchange Commission

13
14 **UNITED STATES DISTRICT COURT**
15 **CENTRAL DISTRICT OF CALIFORNIA**
16

17
18 U.S. SECURITIES AND EXCHANGE
COMMISSION,

19 Plaintiff,

20 vs.

21
22 C3 INTERNATIONAL, INC.,
STEELE CLARKE SMITH III, and
23 THERESA SMITH,

24 Defendants.
25

Case No. 8:21-cv-1586

COMPLAINT

DEMAND FOR JURY TRIAL

26
27 Plaintiff U.S. Securities and Exchange Commission (the “Commission”)
28 alleges:

1 **JURISDICTION AND VENUE**

2 1. The Commission brings this action pursuant to Sections 20(b), 20(d),
3 and 22(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §§ 77t(b),
4 77t(d), and 77v(a)], and Sections 21(d), 21(e), and 27 of the Securities Exchange Act
5 of 1934 (“Exchange Act”) [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

6 2. The Court has jurisdiction over this action pursuant to Sections 20(b),
7 20(d)(1), and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d)(1), and 77v(a)],
8 and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e),
9 and 78aa].

10 3. Defendants, directly or indirectly, made use of the means and
11 instrumentalities of interstate commerce or of the mails in connection with the acts,
12 transactions, practices, and courses of business alleged in this complaint.

13 4. Venue is proper in this District pursuant to Section 22(a) of the
14 Securities Act [15 U.S.C. § 77v(a)] and Section 27(a) of the Exchange Act [15 U.S.C.
15 § 78aa(a)]. Acts, transactions, practices, and courses of business that form the basis
16 for the violations alleged in this complaint occurred in this District. Defendant C3
17 International, Inc. has its principal place of business in this District and offers and
18 sales of securities took place in this District.

19 **SUMMARY OF THE ACTION**

20 5. This case concerns a securities offering fraud carried out by Defendants
21 Steele Clarke Smith III (“Steele Smith”) and Theresa Smith and their California
22 company, Defendant C3 International, Inc. (“C3”) (collectively, “Defendants”). From
23 approximately October 2011 through November 2019, Defendants raised
24 approximately \$2 million from more than 40 investors by selling stock in C3 through
25 Steele Smith’s material misrepresentations and omissions regarding the company’s
26 business and its cannabis pill called Idrasil.

27 6. On C3’s and Idrasil’s websites, in offering materials, on social media
28 and in investor communications, C3 through Steele Smith misrepresented, among

1 other things, that Idrasil was patented or patent-pending or trademarked, that most
2 insurance companies reimbursed for Idrasil, and that investor funds would be used for
3 business purposes. In addition, C3 and Steele Smith made statements about Steele
4 Smith's background, education and legal history, but omitted the material fact of
5 Steele Smith's prior criminal conviction. In addition to these false and misleading
6 statements and omissions, the Smiths misappropriated over \$1 million of investor
7 funds to pay for their own living expenses. In one instance where an investor sent
8 \$100,000 to purchase C3 shares in August 2018, Steele Smith sent \$40,000 of it that
9 same day to a Jeep dealership, as a down payment on an expensive SUV for himself.

10 7. Theresa Smith aided and abetted Steele Smith's and C3's securities
11 fraud violations by overseeing C3's business expenses and managing bank accounts
12 through which investor funds were received and misappropriated.

13 8. In addition, the Defendants offered and sold C3 stock without filing a
14 registration statement with the Commission or otherwise satisfying an exemption.
15 The Smiths and C3 continue to offer C3 securities to investors on the company's
16 websites and over social media.

17 9. In this action, the Commission seeks permanent injunctions prohibiting
18 future violations of the federal securities laws by Defendants and conduct-based
19 injunctions permanently enjoining Steele Smith and Theresa Smith from
20 participating, directly or indirectly, in the issuance, purchase, offer, or sale of any
21 security. The Commission also seeks an order barring Steele Smith and Theresa
22 Smith from acting as officers or directors of any issuer whose securities are registered
23 or which is required to file reports with the Commission, an order for all Defendants
24 to disgorge their ill-gotten gains plus prejudgment interest, and an order imposing
25 civil penalties on all Defendants.

26 **THE DEFENDANTS**

27 10. **C3 International, Inc. ("C3")** is a private, California-based corporation
28 formed in November 2011 with its purported principal place of business in Garden

1 Grove, California.

2 11. **Steele Clarke Smith III (“Steele Smith”)**, age 53, is believed to
3 currently reside in Garden Grove, California. He is the co-founder of C3 and C3
4 Patients Association. He is currently listed as the CEO, Secretary, CFO, and Director
5 of C3 according to the certificate filed with the California Secretary of State.

6 12. **Theresa Smith**, age 60, is believed to currently reside in Garden Grove,
7 California and is the wife of Steele Smith. She is the co-founder of C3 and is its
8 President.

9 **RELATED ENTITY**

10 13. **C3 Patients Association (“C3PA”)** was formed by Steele and Theresa
11 Smith in October 2010 as a nonprofit member association organized for the purpose
12 of providing members with medical marijuana under the California Compassionate
13 Use Act of 1996 and the Medical Marijuana Program Act of 2003, which recognized
14 the right of patients and caregivers to associate collectively or cooperatively to
15 cultivate medical marijuana in a nonprofit organization. From approximately 2010-
16 2015, C3PA sold cannabis products, including Idrasil, and billed insurance
17 companies for reimbursement. C3PA ceased operations in approximately 2015.

18 **FACTS**

19 **A. Defendants Offered and Sold C3’s Securities by Means of Material**
20 **Misstatements and Omissions**

21 14. Beginning in at least October 2011 and continuing through at least
22 November 2019, Defendants offered and sold C3 stock to investors. The company
23 promoted the offering through its Idrasil website, its C3 website and offering
24 documents publicly posted there. In addition, Steele Smith, or others acting at his
25 direction, provided documents including C3 business summaries and financial
26 projections to prospective investors, and made oral and written statements to them.
27 Defendants also promoted the C3 offering through social media sites.

28 15. C3’s offering raised approximately \$2 million from at least 40 investors.

1 16. The contents of C3’s and the Idrasil website, the social media accounts,
2 and all documents provided to investors, including business summaries and financial
3 projections, were drafted, reviewed, and approved by Steele Smith, who had ultimate
4 authority over the statements. Theresa Smith also reviewed the statements.

5 17. In the C3 offering, Steele Smith, and through him C3, made material
6 misrepresentations and omissions to investors and potential investors.

7 **1. Steele Smith and C3 Made Misrepresentations About C3’s**
8 **Intellectual Property and Business**

9 18. Throughout the C3 offering, one of the key features that Steele Smith
10 and C3 touted in C3’s business summaries and on C3’s website was that Idrasil was
11 either “patented” or “patent pending.”

12 19. C3’s website described Idrasil as “patent pending” from the website’s
13 inception in 2014 until at least 2018, as did business summaries provided to investors
14 from at least 2012 through 2014.

15 20. Steele Smith and C3 also represented to investors that Idrasil was
16 patented. In a document provided to investors as early as 2012, Steele Smith stated
17 that Idrasil had a “[p]atent valid through 2037.” When early investors received a tour
18 of C3’s cannabis growing facility, Steele Smith would pull out a piece of paper in his
19 office and say that it was a patent for Idrasil. He also described to investors in 2016
20 that C3 held patents for extracting cannabinoids from a liquid to a solid.

21 21. These claims were false. Instead, Steele Smith had filed a *provisional*
22 patent application in January 2012 with the U.S. Patent and Trademark Office
23 (“USPTO”). Provisional patent applications expire after a year if they are not
24 followed by a related non-provisional patent application. Since Steele Smith never
25 filed a related non-provisional application, the first application expired and no patent
26 was ever issued. Steele Smith admitted in investigative testimony to Commission
27 staff that he never filed a non-provisional patent application related to Idrasil.

28 22. Steele Smith and C3 also misrepresented that Idrasil had an approved

1 trademark. On the current Idrasil website, the ® (“registered”) symbol appears after
2 the word “Idrasil.” Companies are only allowed to use the “registered” symbol if a
3 mark is federally registered with the USPTO.

4 23. In an investor presentation from 2016, C3 claimed to have the “First
5 U.S. Trademark . . . Application for Cannabis (Marijuana) Product. Approved
6 12/2015.” This was misleading because the only C3 related trademark ever approved
7 by the USPTO was for “C3” not “Idrasil.” In fact, the USPTO rejected the “Idrasil”
8 trademark application in April 2015 because “Applicant’s goods and/or services
9 consist of, or include, items or activities that are prohibited by the [Controlled
10 Substance Act], namely, cannabis and cannabis extracts.” Steele Smith confirmed in
11 investigative testimony that he knew that the “Idrasil” application was denied by the
12 USPTO.

13 24. In a document provided to several investors beginning in 2016, C3
14 claimed that Idrasil was “READY NOW for full-time revenue production” and that
15 C3 had \$3 million “paid and on account” for an FDA phase-I clinical trial for Idrasil.
16 Neither statement was true. By 2016, as Steele Smith well knew, C3 had no pills, no
17 lab, no warehouse or growing operation, no offices and little money. As for money
18 set aside for a clinical trial, no such payment or account ever existed. In fact, at no
19 time did C3 have \$3 million in cash on hand. In investigative testimony to
20 Commission staff, Steele Smith admitted that at no point did C3 have money paid
21 toward a clinical trial.

22 **2. Steele Smith and C3 Misrepresented the Use of Investor**
23 **Proceeds and the Smiths Misappropriated Investor Funds**

24 25. From 2011 through at least 2019, Steele Smith (and through him, C3)
25 stated in the business summaries provided to prospective investors or orally
26 represented that C3 would use their investment proceeds for business purposes such
27 as building or expanding growing and lab facilities, launching Idrasil marketing and
28 sales campaigns, clinical trials and business operations. Contrary to those

1 representations, Steele and Theresa Smith diverted and misappropriated a substantial
2 portion of investor funds for their personal living expenses.

3 26. Theresa Smith managed the C3 and C3PA bank accounts and reviewed
4 the account statements. Both she and Steele Smith were authorized users in both
5 accounts and had ATM or debit cards linked to the accounts. They each used investor
6 money in the C3 account for cash withdrawals and personal purchases. In addition,
7 Theresa Smith transferred investor money from the C3 account to the C3PA account
8 or to the Smiths' joint personal checking account. Once transferred, Steele and
9 Theresa Smith used some of that investor money for their own personal use. In total,
10 the Smiths misappropriated over \$1 million of investor funds.

11 27. Steele Smith, on receiving \$100,000 in the C3 account from an investor
12 in August 2018, used \$40,000 of it that same day for a down payment on a Jeep
13 Grand Cherokee Trackhawk. He then used another \$38,000 in investor funds in the
14 C3 account to pay the monthly loan payments on the SUV until it was repossessed.

15 28. Steele and Theresa Smith admitted that they used investor funds for their
16 apartment rent, their food, their dogs' veterinary and grooming expenses, their hair
17 salon, their dentist and their personal cars. In an email she wrote in 2018, Theresa
18 Smith stated that, "everything, including our personal [expenses], needed to run out
19 of the business account due to our status of having an EBT food card...and state
20 funded health insurance.... I must continue...to carry a less than \$2k balance in my
21 personal bank account to keep tour [sic] health insurance."

22 29. Theresa Smith admitted that, regarding the use of investor funds,
23 investor disclosures "could have been worded better."

24 **3. Steele Smith and C3 Made Material Omissions about his**
25 **Felony Conviction**

26 30. From about 2014 to the present, Steele Smith, in websites and C3
27 investor presentations, made statements disclosing his background and history, but
28 omitted that he was a convicted felon. In 2012, Steel Smith was convicted of

1 conspiracy to manufacture at least 1000 marijuana plants in *United States v. Smith*,
2 8:07-cr-00264-CJC (C.D. Cal.).

3 31. This information was material to investors, who understood from Steele
4 Smith that he was operating C3 in a way that was in compliance with the law.

5 **4. Steele Smith and C3 Made Misrepresentations and Omissions**
6 **about C3's Ability to Get Insurance to Pay for Idrasil**

7 32. On both the C3 (from at least 2014 to the present) and Idrasil (from at
8 least 2013 to the present) websites and in business summaries provided to investors,
9 Steele Smith and C3 repeatedly stated that Idrasil was reimbursable by “most” health
10 insurance companies [in California]. This was false. For example, in 2014, there were
11 approximately 24 companies providing group and individual health insurance
12 coverage in California. But by 2016, C3PA had received reimbursement from a total
13 of only three health insurance companies and two California worker’s compensation
14 funds. The Idrasil website included a FAQ from 2014 to present which asked, “What
15 insurance companies pay for Idrasil?” and answered that C3PA would bill seven
16 different named companies. However, as Steele Smith admitted, C3PA never
17 received reimbursement from two of the specifically named companies.

18 33. In October of 2013, Steele Smith was warned by his bookkeeper that his
19 statements regarding reimbursement for Idrasil were misleading. The bookkeeper
20 wrote to him, “I’m ... concerned about and recommend against claiming that Idrasil
21 is ‘now covered by most Health Insurance’. It is misleading.... It leads an investor to
22 believe that Idrasil has been accepted for payment by a lot of insurance companies;
23 or, in your own words, ‘most’, which is more than half. Since this is not true, it is an
24 unnecessary legal liability.” Steele Smith responded, “Point well taken, thank you.
25 We’re changing word, from ‘most’ to ‘many’.” But the websites still did not make
26 this change.

27 34. In every case where C3PA received reimbursement from a health insurer
28 or a worker’s compensation fund for Idrasil (claims made on behalf of multiple

1 patients), the insurance companies only reimbursed claims for *one patient each*.
2 Idrasil was not an approved pharmaceutical by the insurance companies. In fact, it
3 should not have been reimbursed under their guidelines, and in those situations where
4 it was reimbursed it was either an outlier situation or an outright mistake.

5 35. This information was material to the investors, as they expected that the
6 vast majority of C3's profits, which would impact their return on investment, would
7 be derived from insurance company reimbursement for Idrasil.

8 **5. Steele Smith and C3 Misrepresented How Investors Would**
9 **Receive Returns on their Investments**

10 36. Steele Smith (and through him, C3) repeatedly made oral and written
11 misrepresentations to prospective investors about how they would make money on
12 their investment. Steele Smith told investors, both in writing and in business
13 summaries, that their shares would pay dividends until the company was acquired by
14 a large pharmaceutical company, at which point they would be cashed out.

15 37. In at least 2013 and 2016, Steele Smith orally told prospective investors
16 that pharmaceutical companies had shown interest in purchasing C3. In financial
17 projections that he provided to investors, he forecast that C3 would achieve a
18 minimum of \$4.6 million in gross revenue (with later iterations prognosticating
19 minimums of \$10 million or even \$100 million in gross revenue) in the next year and
20 valuing C3's total equity at over \$685 million upon acquisition by a big pharma
21 company. These financial projections were all materially false and/or misleading as
22 they lacked any basis in reality. As Steele Smith knew, C3PA never earned more than
23 \$57,000 in any year from Idrasil, and total receipts from 2012-2015 were less than
24 \$200,000.

25 38. Steele Smith also knew that C3PA had never received enough money
26 from insurance companies or otherwise to provide investors with dividends. Indeed,
27 he was aware that the company barely had enough funds to support its operations,
28 and that C3PA had run out of Idrasil pills by 2015 and had no plans to make more.

1 39. No investors ever received any dividends from C3.

2 40. Further, the prospects of C3 being acquired by a big pharma company
3 were nil, given that Idrasil was derived from cannabis, a Schedule I illegal substance,
4 and that (as described above) most insurance companies rejected claims for it. Steele
5 Smith admitted that he had approached several big pharma companies about either
6 buying C3 or licensing the rights to sell Idrasil. He never heard back from a single
7 one.

8 **6. Lulling Statements**

9 41. When investors questioned Steele Smith after they invested about what
10 happened to their investments and when they would receive any money from C3, he
11 repeatedly put them off by telling them, in e-mails and text messages, that they would
12 be bought out at a premium in a short timeframe (usually one to three months).

13 42. This behavior began in 2015 and continues to the present.

14 43. He represented that C3 had a “building in escrow” and that as soon as
15 the deal closed, he would have the funds to buy out the investor. These statements
16 were false. C3 never had a building in escrow at any point during the relevant time
17 period and never had enough cash on hand to go into escrow for the types of
18 buildings that Steele Smith described to investors.

19 44. When asked in investigative testimony about specific lulling statements
20 he made to a particular investor, Steele admitted that he “told her what she wanted to
21 hear.”

22 **B. Theresa Smith Aided and Abetted Steele Smith’s and C3’s Securities**
23 **Fraud Violations**

24 45. Theresa Smith knew, or was reckless in not knowing, of Steele Smith’s
25 and C3’s primary securities fraud violations, and substantially assisted in them. She
26 was co-founder with Steele Smith of C3 and C3PA and was C3’s president. She
27 managed the day to day operations of both companies, including managing their bank
28 accounts and paying the companies’ expenses. She was therefore financially

1 responsible for all the items necessary to reach investors and defraud them, and
2 collected the fruits of that fraud.

3 46. She paid for and reviewed the company websites and investor materials
4 which made those statements. She was aware of the falsity (or reckless in not
5 knowing it) of at least some of the statements Steele and C3 provided to investors.
6 For example, she reviewed business summaries where Steele Smith told investors that
7 their money would be used for business purposes while she, together with Steele,
8 actively misappropriated investor funds for their personal benefit.

9 **C. Defendants Offered and Sold C3 Stock in Violation of the Securities**
10 **Registration Requirements**

11 47. Beginning in at least October 2011 and continuing through at least
12 November 2019, C3, Steele Smith and Theresa Smith offered and sold C3 stock to
13 investors. The company promoted the offering in a number of ways, including
14 through its main website and offering documents publicly posted there. C3's offering
15 raised approximately \$2 million from at least 40 investors, all but two of whom were
16 United States citizens. U.S. Investors were mostly from California, but also included
17 investors in other states including Oregon, Tennessee and Maryland. Investors paid
18 for the C3 shares, at prices ranging from \$1 to \$100, with U.S. dollars through wires
19 or checks. In exchange for their funds, C3 sent nearly all investors stock certificates
20 that showed the number of shares purchased.

21 48. Defendants pooled the investor deposits in a bank account belonging to
22 C3. Steele Smith told investors that Defendants would use their money for business
23 purposes such as building or expanding cannabis growing and lab facilities, launching
24 Idrasil marketing and sales campaigns, clinical trials and business operations, which,
25 if successful, would cause a reasonable person to expect an increase in the value of
26 the shares.

27 49. Defendant Steele Smith and C3 orally and in documents assured
28 prospective investors that they would receive dividends from their investments, and

1 that eventually C3 would be purchased by a major pharmaceutical company for not
2 less than \$1 billion, which would provide a 1,000x return on investment.

3 50. The C3 shares offered and sold by Defendants are securities. Under the
4 federal securities laws, C3, Steele Smith, and Theresa offered and sold these
5 securities from at least October 2011 through November 2019. Defendants never filed
6 a registration statement with the Commission for the offer and sale of C3 securities.

7 51. No exemptions from registration applied to the C3 offering. The C3
8 offering involved a general solicitation of investors and was made to investors
9 throughout the United States. Defendants took no steps to verify investors' accredited
10 status.

11 52. C3 is liable for these registration violations as the issuer of its stock.
12 During the offering, investors sent funds to C3's bank account to purchase the stock.

13 53. Steele Smith, a co-founder and CEO, is liable for these registration
14 violations because he directly offered and sold C3 stock. He was the public face of
15 C3 and directly promoted the C3 offering online through the C3 website, social media
16 accounts, conferences, and interviews to cannabis company-focused media. He
17 reviewed and approved the offering documents that were posted on C3's website to
18 solicit investors. He also had authority over the content of C3's website.

19 54. Theresa Smith is liable for these registration violations because she
20 indirectly offered and sold the C3 stock and was a necessary participant and
21 substantial factor in its offer and sale. As a co-founder and President of C3, Theresa
22 Smith played an instrumental role in the offering as she paid for C3's advertisements,
23 websites and offering materials without which the offering could not have been
24 conducted. She also collected the money from the investors and placed it into C3's
25 bank account, which she directly controlled.

FIRST CLAIM FOR RELIEF

Fraud in Connection with the Purchase or Sale of Securities

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

(Against Defendants Steele Smith and C3)

55. The Commission realleges and incorporates by reference paragraphs 1 through 54 above.

56. Defendants Steele Smith and C3, in selling C3 securities to investors, made misstatements as to: (1) C3's intellectual property and business, including statements regarding patents and trademarks, (2) their use of investor proceeds, (3) C3's ability to get insurance to pay for Idrasil and (4) as to C3's revenue and projections and how investors would receive a return on their investment. They also made material omissions regarding Defendant Steele Smith's criminal history. Defendant Steele Smith and through him, C3, knew or were reckless in not knowing that their statements were false and/or misleading at the time they were made, or that their omissions contained material facts necessary to render the statements made not misleading.

57. By engaging in the conduct described above, Steele Smith and C3, directly or indirectly, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, or the mails, with scienter:

- (a) Employed devices, schemes, or artifices to defraud;
- (b) Made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and
- (c) Engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons, including purchasers and sellers of securities.

58. By reason of the foregoing, Steele Smith and C3 violated, and unless

1 restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act
2 [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

3 **SECOND CLAIM FOR RELIEF**

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

5 **Violations of Sections 17(a)(1), (2), and (3) of the Securities Act**

6 **(Against Defendants Steele Smith and C3)**

7 59. The Commission realleges and incorporates by reference paragraphs 1
8 through 54 above.

9 60. Defendant Steele Smith and through him C3, in the offer or sale of C3
10 securities to investors, made misstatements as to (1) C3's intellectual property and
11 business, including statements regarding patents and trademarks, (2) their use of
12 investor proceeds, (3) C3's ability to get insurance to pay for Idrasil and (4) as to
13 C3's revenue and projections and how investors would receive a return on their
14 investment. They also made material omissions regarding Defendant Steele Smith's
15 criminal history. Defendant Steele Smith and through him, C3, knew or were reckless
16 in not knowing that their statements were false and/or misleading at the time they
17 were made, or that their omissions contained material facts necessary to render the
18 statements made not misleading. Defendants Steele Smith and C3 obtained money by
19 means of the fraud, as C3 received the investors' funds from the sales C3 stock, and
20 Steele Smith misappropriated some of the investor funds.

21 61. By engaging in the conduct described above, Defendants Steele Smith
22 and C3, directly or indirectly, in the offer or sale of securities, by use of the means or
23 instruments of transportation or communication in interstate commerce or by use of
24 the mails:

- 25 (a) With scienter, employed devices, schemes, or artifices to defraud;
26 (b) With scienter or negligence, obtained money or property by means
27 of untrue statements of a material fact or by omitting to state a
28 material fact necessary in order to make the statements made, in

1 light of the circumstances under which they were made, not
2 misleading; and

3 (c) With scienter or negligence, engaged in transactions, practices, or
4 courses of business which operated or would operate as a fraud or
5 deceit upon the purchaser.

6 62. By reason of the foregoing, Steele Smith and C3 violated, and unless
7 restrained and enjoined will continue to violate, Section 17(a) of the Securities Act
8 [15 U.S.C. § 77q(a)].

9 **THIRD CLAIM FOR RELIEF**

10 **Aiding and Abetting**

11 **Violations of Section 17(a) of the Securities Act**

12 **(Against Defendant Theresa Smith)**

13 63. The Commission realleges and incorporates by reference paragraphs 1
14 through 54 above.

15 64. Through the conduct described above, Steele Smith and C3 violations
16 Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

17 65. Defendant Theresa Smith knowingly or recklessly provided substantial
18 assistance to Steele Smith and C3's violations of Section 17(a) of the Securities Act.
19 She managed the day to day operations of C3 and C3PA, including managing their
20 bank accounts and paying the companies' expenses. She was therefore financially
21 responsible for all the items necessary to reach investors and defraud them, and
22 collected the fruits of that fraud. She paid for and reviewed the company websites and
23 investor materials which made false statements to investors. She was aware of the
24 falsity (or reckless in not knowing it) of at least some of the statements Steele Smith
25 and C3 provided to investors. For example, she reviewed documents where Steele
26 told investors that their money would be used for business purposes while she,
27 together with Steele, actively misappropriated investor funds for their personal
28 benefit.

1 aid and abet violations of those provisions.

2 **FIFTH CLAIM FOR RELIEF**

3 **Unregistered Offer and Sale of Securities**

4 **Violations of Sections 5(a) and 5(c) of the Securities Act**

5 **(Against All Defendants)**

6 71. The Commission realleges and incorporates by reference paragraphs 1
7 through 54 above.

8 72. Defendant C3, as the issuer of the securities, directly offered and sold
9 securities in the form of C3 stock.

10 73. Defendants Steele Smith and Theresa Smith, directly and indirectly,
11 offered and sold C3 stock, and were necessary participants and substantial factors in
12 C3's offers and sales of C3 stock.

13 74. By virtue of the foregoing, (a) without a registration statement in effect
14 as to that security, Defendants, directly and indirectly, made use of the means and
15 instruments of transportation or communications in interstate commerce and of the
16 mails to sell securities through the use of means of a prospectus, and (b) made use of
17 the means and instruments of transportation or communication in interstate commerce
18 and of the mails to offer to sell through the use of a prospectus, securities as to which
19 no registration statement had been filed.

20 75. By reason of the foregoing, Defendants directly or indirectly violated,
21 and unless restrained and enjoined, will continue to violate, Section 5 of the
22 Securities Act [15 U.S.C. § 77e].

23 **PRAYER FOR RELIEF**

24 WHEREFORE, the Commission respectfully requests that the Court enter a Final
25 Judgment finding that Defendants committed the securities law violations alleged in this
26 Complaint and:

27 **I.**

28 Permanently enjoin Steele Smith, Theresa Smith and C3 from directly or

1 indirectly violating Sections 5 and 17(a) of the Securities Act [15 U.S.C. §§ 77e,
2 77q(a)], and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rule 10b-5
3 [17 C.F.R. § 240.10b-5] thereunder;

4 **II.**

5 Permanently enjoin C3, Steele Smith and Theresa Smith from, directly or
6 indirectly, including, but not limited to, through any entity owned or controlled by
7 them, participating in the issuance, purchase, offer, or sale of any security; provided,
8 however, that such injunction shall not prevent the Smiths from purchasing or selling
9 securities listed on a national securities exchange for their own personal accounts;

10 **III.**

11 Enter an Order pursuant to Section 20(e) of the Securities Act and Section
12 21(d)(2) of the Exchange Act barring Steele Clarke Smith III from acting as an officer
13 or director of any issuer whose securities are registered with the Commission pursuant
14 to Section 12 of the Exchange Act or which is required to file reports with the
15 Commission pursuant to Section 15(d) of the Exchange Act.

16 **IV.**

17 Order that each of the Defendants disgorge any and all ill-gotten gains, together
18 with pre-judgment and post-judgment interest, derived from the securities law
19 violations set forth in this Complaint;

20 **V.**

21 Order Defendants to pay civil penalties under Section 20(d) of the Securities Act
22 [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)];

23 **VI.**

24 Retain jurisdiction of this action in accordance with the principles of equity and
25 the Federal Rules of Civil Procedure in order to implement and carry out the terms of
26 all orders and decrees that may be entered, or to entertain any suitable application or
27 motion for additional relief within the jurisdiction of this Court; and
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

VII.

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

In accordance with Fed. R. Civ. P. 38 and C.D. Cal. L.R. 38-1, Plaintiff U.S. Securities and Exchange Commission hereby demands a jury trial on all issues so triable.

Dated: September 28, 2021

/s/ Derek Bentsen

Derek S. Bentsen
Timothy N. England
Stephen T. Kaiser
Elizabeth Marshall Anderson
Daniel O. Blau
Attorneys for Plaintiff
U.S. Securities and Exchange
Commission