

**IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF PENNSYLVANIA**

**SECURITIES AND EXCHANGE  
COMMISSION,**

**Plaintiff,**

**v.**

**FORTITUDE GROUP, INC.  
and THOMAS J. PARILLA,**

**Defendants.**

Civil Action No. 1:16-cv-50

Judge Susan Paradise Baxter

**COMPLAINT**

Plaintiff Securities and Exchange Commission (the “Commission”) alleges as follows:

**SUMMARY**

1. Between February 2014 and May 2014, Fortitude Group Inc. (“Fortitude” or the “Company”) and its chief executive officer, Thomas J. Parilla, made materially false and misleading statements about the Company in various press releases disseminated publicly on [www.otcmarkets.com](http://www.otcmarkets.com), which falsely characterized Fortitude’s purported efforts to enter into the burgeoning legal marijuana business space.

2. Following Colorado’s legalization of the sale of recreational marijuana in January 2014, Fortitude and Parilla issued several press releases falsely portraying the company as having successful marijuana-related partnerships and operations, including claims that it would be issuing a Discover-branded debit card and distributing e-cigarettes to marijuana dispensaries. In reality, at no time did Fortitude formally operate in the marijuana space or have the requisite licensure, funding, or other corporate infrastructure to run a successful marijuana-related business.

3. Additionally, Fortitude and Parilla made material misrepresentations in a Company financial report regarding revenue earned from the purported marijuana business. In reality, Fortitude never realized the marijuana based revenue it claimed to have received.

4. By knowingly or recklessly engaging in the conduct described in this Complaint, Defendants Fortitude and Parilla violated, and unless enjoined will continue to violate, Section 10(b) and Rule 10b-5(b) of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5. Defendant Parilla also aided and abetted Fortitude’s violation of Section 10(b) and Rule 10b-5(b) of the Exchange Act, 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5. Unless restrained and enjoined, Defendants are reasonably likely to continue to violate the federal securities laws.

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

#### **JURISDICTION AND VENUE**

6. The Commission brings this action pursuant to Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), to enjoin such acts, transactions, practices, and courses of business, and to obtain civil penalties, an officer and director bar, a penny stock bar, and such other and further relief as the Court may deem just and appropriate.

7. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d), 78u(e), and 78aa.

8. Venue in this District is proper pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa. Among other things, Fortitude’s principal place of business and Parilla’s

residence are located in the Western District of Pennsylvania. Further, certain of the acts and transactions constituting the violations alleged herein occurred within the Western District of Pennsylvania.

9. In connection with the conduct alleged in this Complaint, Defendants, directly and indirectly, singly or in concert with others, have made use of the means or instrumentalities of interstate commerce, the means or instruments of transportation or communication in interstate commerce, and of the mails.

### **DEFENDANTS**

10. **Fortitude** is a Florida corporation headquartered in Erie, Pennsylvania. Fortitude describes itself as “a diversified company with investments in multiple sectors of the economy.” Until May 23, 2014, its common stock was quoted on the OTC Pink marketplace (symbol FRTD), when the Commission issued an order temporarily suspending trading in its securities. Fortitude stock currently trades on the “grey market.”

11. Fortitude’s stock is a “penny stock” as defined by the Exchange Act. At all times relevant to this action, the stock’s shares traded at less than one dollar per share. During the same time period, Fortitude’s stock did not meet any of the exceptions to penny stock classification pursuant to Exchange Act Section 3(a)(51) and Rule 3a51-1, 15 U.S.C. § 78(c)(a)(51) and 17 C.F.R. § 240.3a51-1. For example the Company’s stock: (a) did not trade on a national securities exchange; (b) was not an “NMS stock,” as defined in 17 C.F.R. § 42.600(b)(47); (c) did not have tangible assets (*i.e.*, total assets less intangible assets and liabilities) in excess of \$5,000,000; and (d) did not have average revenue of approximately \$6,000,000 for the last three years. *See* Exchange Act, Rule 3a51-1(g).

12. **Parilla**, age 51, is the chief executive officer and sole employee of Fortitude. He resides in Erie, Pennsylvania.

## FACTS

### **A. The Fraudulent Misstatements in Fortitude's Press Releases**

13. Fortitude and Parilla engaged in a fraudulent promotional campaign between February 2014 and May 2014, disseminating materially false and misleading press releases that portrayed Fortitude as a player in the legalized recreational and medicinal marijuana business sector.

14. In the press releases, which Parilla approved and disseminated, Fortitude announced its entrance into the marijuana industry and made dubious multi-million dollar annual revenue projections relating to its purported marijuana business.

15. Fortitude and Parilla never retracted any of the press releases or otherwise inform investors and potential investors of the false statements contained therein.

16. As Fortitude's CEO and sole employee, Parilla knew that these releases were false at the time they were issued.

#### **1. Fictitious Subsidiaries**

17. In a February 21, 2014 press release, Parilla announced that "after extensive research [Fortitude had] decided to set up a Medical Marijuana company within [its] Medical Subsidiary." The Company further announced "the formation of three new majority owned subsidiaries[:] Fortitude Healthcare, Fortitude RE, and Fortitude Technology...with Management Teams [consisting] of seasoned professionals."

18. In fact, the Company had not formed these subsidiaries at the time of the February 21, 2014 press release or anytime thereafter.

## **2. Phony Prepaid Discover Cards**

19. On February 24, 2014, Fortitude issued another press release claiming that it would acquire the Internet web addresses “420banc.com” and “420cashcard.com,” which would be used to allow legal marijuana merchants to process marijuana purchases made with pre-paid debit cards. In the press release, Parilla stated “[Fortitude’s] retail products allow for buyers to purchase cannabis while being able to use the same card at traditional merchants via the Discover card network.” Fortitude further announced that it expected to derive an annual profit of approximately \$155 per retail card user and that it intended to launch the card on March 17, 2014.

20. On March 24, 2014, the Company announced in a press release its “successful launch of 420cashcard.com,” a “420 Cash Prepaid Discover© Card.” This card was purportedly issued by Discover Financial Services a/k/a DFS Services LLC (“Discover”), the credit and debit card company. Cardholders could earn points to redeem on products supplied by cannabis vendors.

21. In fact, no Fortitude pre-paid debit card for marijuana transactions has ever existed, and Discover has never had an agreement, affiliation, or association with Fortitude.

## **3. The Bogus VaporVites Product**

22. Fortitude also made false and misleading statements in three press releases regarding a purported marijuana vaporizer called “VaporVites.”

23. First, on April 2, 2014, Fortitude announced an agreement for the Company to distribute “VaporVites,” which it described as an e-cigarette that could be used with a wide array of dry herbs. Fortitude claimed it would initially process orders for dispensaries in Colorado with the expansion of an additional 70 dispensaries within the next quarter. The press release

quoted Parilla stating that the distribution of the “VaporVites e-cig product line...will immediately produce revenue for the company....”

24. Second, on April 8, 2014, Fortitude announced it had received a 5,000 unit order for VaporVites from a Colorado dispensary with four stores. The press release did not identify the dispensary, but explained that it would cost Fortitude \$29 to manufacture each VaporVite unit, which the Company would sell to dispensaries for \$89 each. Parilla is quoted in the press release stating the Company “was pleased to begin selling the VaporVites product while reflecting this product revenue on [its] income statement” and that the “distribution of the VaporVites e-cig product line has immediately produced revenue for the company at minimal hard cost or capital outlay.” Parilla is further quoted as stating that Fortitude “should derive roughly \$15 million in 2014 from the VaporVites initiative.”

25. Third, on April 21, 2014, Fortitude announced in a press release that it had received \$50,000 as the initial deposit toward the 5,000 unit VaporVites order.

26. Fourth, on May 16, 2014, Fortitude disseminated another press release announcing the company had, among other things, received over 15,000 individual orders for the VaporVites system, that the orders would be fulfilled the following month, and that it had received the initial deposit for the 15,000 orders.

27. None of the above-listed statements from the April 2, 8, 21, and May 16 press releases were true. In reality, Fortitude never received any revenue-producing orders for VaporVites from a Colorado dispensary or anywhere else. In fact, Fortitude never received any funds from any sale of the VaporVites product. Moreover, Fortitude never entered into a VaporVites deal with any legal marijuana dispensary.

#### **4. More Phony Prepaid Debit Cards**

28. On April 21, 2014, Fortitude announced the complimentary issuance to shareholders of Affinity Elite Cards, prepaid debit cards preloaded with \$25 each, and that the Company purportedly “received a private label card order for over 100,000 Affinity [Elite] Cards.”

29. In a May 14, 2014 press release, Parilla continued to tout Fortitude’s purported well-being and the Company’s continuing growth and claimed that cash-flow grew “at a better than expected rate.”

30. In a May 22, 2014 press release, Fortitude announced that the Affinity Elite Cards had completed production and would ship the first week of June.

31. In reality, however, the Affinity Elite Cards were never launched nor issued, and no such cards were printed or issued to shareholders as Fortitude claimed in its press release.

#### **B. Fortitude’s Misstatements in Its Financial Disclosures**

32. Fortitude’s financial report for the first quarter of 2014 contained material misrepresentations regarding the revenue Fortitude recognized for the three months ended March 31, 2014.

33. In this report, which Parilla published on otcmarkets.com on May 26, 2014, Fortitude stated that its financial statements were “prepared in accordance with generally accepted accounting principles in the United States of America.” The notes to the financial statements for that period specify that Fortitude recognized revenue “in accordance with SEC Staff Accounting Bulletin No. 101, ‘Revenue Recognition in Financial Statements.’” The notes further explained that Fortitude “recognize[d] revenue when the significant risks and rewards of ownership have been transferred to the customer pursuant to applicable law and a regulation

including factors such as when there is evidence of a sale arrangement, delivery has occurred, or service has been rendered....”

34. Parilla signed and certified the quarterly financial report, which stated that, based on his knowledge, “this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made...untrue.”

35. For the first quarter of 2014, Fortitude recognized total revenue of \$412,162, a 400-fold increase in revenue from the prior year. Fortitude attributed the revenue to sales of ThePUMPTracker.com, a financial internet property which Fortitude claimed to have purchased in the first quarter of 2014, along with deposits for Affinity Elite Cards and VaporVites. The breakdown of purported revenue is as follows:

<b>Revenue</b>	<b>Three Months Ended March 31, 2014</b>	<b>Year Ended December 31, 2013</b>
Sales		-
ThePUMPTracker.com	\$162,162	-
Affinity Elite Card	\$100,000	-
VaporVites Deposits	\$150,000	-
<b>Total Revenues</b>	<b>\$412,162</b>	<b>-</b>

36. Fortitude’s revenue figures for this quarter are inflated, false, and not in accordance with U.S. GAAP or SEC Staff Accounting Bulletin 101 because Fortitude did not earn all of the \$412,162 it recognized as revenue in this quarter.

37. Fortitude’s revenue figures for ThePUMPTracker.com were false and misleading. Fortitude announced the purchase of ThePUMPTracker.com in a May 1, 2014 press release. The Company announced the transfer of the domain would occur in the following two to four weeks. In reality, no ThePUMPTracker.com assets were transferred to Fortitude. Nevertheless, Fortitude recorded revenue from ThePUMPTracker.com for the first quarter of

2014, a period of time during which it did not own this property and did not receive any related revenues.

38. Fortitude's revenue figures for the Affinity Elite Card were false and misleading because: (a) the Affinity Elite Card was never launched and cards were never printed; (b) the purported orders of Affinity Elite Cards were never fulfilled.

39. Fortitude's revenue figures for the VaporVites Deposits were also false and misleading because no sales of VaporVites ever took place.

40. Moreover, even if Fortitude had received deposits for the Affinity Elite Cards and VaporVites, deposits cannot be recorded as revenue pursuant to U.S. GAAP because no products were delivered in exchange for the deposits.

**C. The Market Impact of the Misstatements**

41. The false and misleading press releases had a material impact on Fortitude's stock price and trading volume between February 21, 2014 and May 22, 2014. The week before Fortitude announced its purported entrance into the marijuana business, Fortitude's share price fluctuated between an intraday low of \$0.0001 and an intraday high of \$0.0002, with an average daily trading volume of 73,762,900 shares.

42. On February 21, 2014, Fortitude's stock price rose to \$0.01 per share – a 4900% increase, with volume increasing three-fold from the prior day to over 132 million shares. The Company's share price continued to increase, reaching an intraday high of \$0.08 on April 4, 2014. Between April 4, 2014 and May 16, 2014, Fortitude's share price declined from \$0.06 per share to \$0.01 per share. Per-share price again increased to \$0.03 and volume peaked at over 204 million shares on May 19, 2014.

**CLAIMS FOR RELIEF**

**FIRST CLAIM**

**Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b) Thereunder  
(Against Fortitude and Parilla)**

43. The Commission realleges and incorporates Paragraphs 1 through 42 of this Complaint.

44. Between February 2014 and May 2014, Fortitude and Parilla, knowingly or recklessly, in connection with the purchase or sale of securities, directly or indirectly, by use of any means or instrumentalities of interstate commerce, or the mails, made untrue statements of material facts and/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.

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

**SECOND CLAIM**

**Aiding and Abetting Liability Under Section 20(e) of the Exchange Act  
(Against Parilla)**

46. The Commission realleges and incorporates Paragraphs 1 through 42 of this Complaint.

47. Between February 2014 and May 2014, Fortitude knowingly or recklessly, in connection with the purchase or sale of securities, directly or indirectly, by use of any means or instrumentalities of interstate commerce, or the mails made untrue statements of material facts and/or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and by reason of the foregoing,

violated Section 10(b) and Rule 10b-5(b) of the Exchange Act, 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5(b).

48. From at least as early as February 2014 through May 2014, Defendant Parilla knowingly or recklessly provided substantial assistance to Fortitude's violations of Section 10(b) and Rule 10b-5(b) of the Exchange Act, 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5(b), and is deemed to be in violation of these provisions to the same extent as Fortitude.

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

#### **PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that the Court find the Defendants committed the violations alleged, and:

#### **I.**

#### **Permanent Injunction**

Issue a Permanent Injunction restraining and enjoining Defendants, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating the federal securities laws alleged in this Complaint.

#### **II.**

#### **Penalties**

Issue an Order directing Defendants to pay civil money penalties pursuant to Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

**III.**

**Penny Stock Bar**

Issue an Order, pursuant to Section 21(d)(6) of the Exchange Act, 15 U.S.C. § 78u(d)(6), barring Parilla from participating in any future offering of a penny stock.

**IV.**

**Officer and Director Bar**

Issue an Order, pursuant to Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2), barring Parilla from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act.

**V.**

**Further Relief**

Granting such other and further relief as this Court may deem just and appropriate.

**VI.**

**Retention of Jurisdiction**

Further, the Commission respectfully requests that the Court retain jurisdiction over this action and over the Defendants in order to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully submitted,

By:

s/ James M. Carlson

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