



Portfolio Media, Inc. | 111 West 19th Street, 5th floor | New York, NY 10011 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Recidivist Going By 'Richard Richman' Charged With Fraud

By **Dean Seal**

Law360 (April 14, 2021, 11:03 PM EDT) -- Brooklyn federal prosecutors unsealed an indictment on Wednesday accusing a convicted securities fraudster going by "Richard Richman" of masterminding a pair of schemes to defraud investors in a purported energy company and a purported cannabis company.

The indictment claims Richard Dale Sterritt Jr., along with Michael Greer, Robert Magness, Mark Ross and Robyn Straza, committed fraud and money laundering via schemes to misappropriate \$10 million of investor funds from Zona Energy Inc., an oil and gas exploration company controlled by Sterritt, and to manipulate the stock of a Sterritt-controlled public issuer supposedly in the cannabis business.

"Through a web of related schemes, Sterritt and his co-defendants allegedly stole millions of dollars from investors, attempted to manipulate a publicly-traded stock, and laundered the proceeds of their crimes through the purchase of luxury items like a Bentley," the acting U.S. attorney for the Eastern District of New York said in a statement.

The U.S. Securities and Exchange Commission filed a parallel enforcement action against Sterritt on Wednesday that also targets three of his four criminal co-defendants -- Greer, Magness and Ross -- and three others, Deanna Looney, Katie Mathews and James Christopher Pittman, who were allegedly involved in the fraud schemes.

The indictment charges Sterritt, who has been using the Richman alias, and his four co-defendants with securities fraud conspiracy, wire fraud and money laundering, alleging that between March 2018 and January 2021, the five raised \$16 million in investor funds for Zona, a portfolio company based in the Permian Basin of West Texas.

In offering documents for Zona, the co-defendants concealed Sterritt's control over the company and his criminal history and falsely stated that investor funds would be used for "leasehold acquisitions" and general business purposes, according to the indictment. In reality, only about \$800,000 was sent to Zona, while the rest was sent to Greer or other companies controlled by Sterritt, prosecutors say.

About \$10 million of that was misappropriated by Sterritt, Ross, Straza and Greer to pay for luxury goods, rental apartments, plastic surgery and a car, and to make cash payments to friends and family and Sterritt's girlfriends, according to prosecutors.

Sterritt, Magness and Ross are also accused of using "matched trading," or trading in sync with an equal and offsetting trade from a complicit counterparty in order to give the appearance of increased trading activity, for shares of OrgHarvest Inc., a penny stock traded on over-the-counter markets that Sterritt controlled.

Prosecutors say three men coordinated the matched trading with an undercover FBI agent posing as a corrupt stock promoter who claimed to control a team of equally corrupt brokers, with the intention of pumping and dumping OrgHarvest stock.

"Sterritt intended to disguise kickback payments to the [undercover agent] as marketing fees," the SEC said in its complaint. "He also planned to explain away communications with the [undercover agent] about pricing for the matched trades as, instead, related to a fictitious business to sell face masks during the COVID-19 pandemic."

The pump-and-dump of OrgHarvest shares was ultimately stymied when the regulator suspended trading in the stock in June, leading Sterritt to "almost immediately begin planning a similar market manipulation scheme" for another Sterritt-controlled penny stock that had acquired Zona, the SEC said.

Prosecutors say the criminal defendants were all arrested on Wednesday and made their initial appearances in either Dallas or Brooklyn. They face up to 20 years in prison on securities fraud and money laundering charges. The SEC is seeking disgorgement, fines and injunctive relief against the seven defendants in its civil complaint.

"Investors should be wary of individuals using aggressive sales tactics to pitch unregistered offerings that promise high investment returns with little or no risk," Richard R. Best, director of the SEC's New York office, said in a statement. "As alleged, Sterritt and his accomplices defrauded and victimized investors by inducing them to invest using false statements and then misappropriating their funds."

Counsel for the parties declined or did not immediately respond to requests for comment Wednesday.

The government is represented in the criminal case by David C. Pitluck and Michael P. Robotti of the U.S. Attorney's Office for the Eastern District of New York.

The SEC is represented in-house by Alexander M. Vasilescu, Christine D. Ely and David H. Tutor.

Sterritt is represented by Harlan Protass of Protass Law PLLC. Greer is represented by Joseph Dever of Cozen O'Connor. Pittman and Ross are represented by Rose Romero of the Law Offices of Romero Kozub. Counsel information for the remaining defendants was not available.

The cases are U.S. v. Sterritt Jr. et al., case number 1:21-cr-00193, and SEC v. Sterritt Jr. et al., case number 1:21-cv-02008, in the U.S. District Court for the Eastern District of New York.

--Editing by Janice Carter Brown.