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FEDERAL DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES

BY: _____

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

INDIVIDUALLY
AND ON BEHALF OF ALL OTHERS
SIMILARLY SITUATED,

Plaintiff,

v.

GROWLIFE, INC., STERLING C.
SCOTT, JOHN GENESI, MARCO
HEGYI, ROB HUNT, ERIC SHEVIN,
ALAN HAMMER, ANTHONY
CIABATTONI, AND JEFF
GIARRAPUTO,

Defendants.

CASE No.:

14-03015-MRP(JEMx)

CLASS ACTION

COMPLAINT FOR VIOLATION
OF THE FEDERAL SECURITIES
LAWS

JURY TRIAL DEMANDED

Plaintiff [redacted] individually and on behalf of all other persons

similarly situated, by his undersigned attorneys, for his complaint against the

defendants, alleges the following based upon personal knowledge as to himself and

his own acts, and information and belief as to all other matters, based upon, *inter*

1 *alia*, the investigation conducted by and through his attorneys, which included,
2 among other things, a review of the defendants' public documents, conference calls
3 and announcements made by the defendants, United States Securities and
4 Exchange Commission ("SEC") filings, wire and press releases published by and
5 regarding GrowLife, Inc. ("GrowLife" or the "Company"), securities analysts'
6 reports and advisories about the Company, and information readily obtainable on
7 the Internet. Plaintiff believes that substantial evidentiary support will exist for the
8 allegations set forth herein after a reasonable opportunity for discovery.
9
10
11

12 **NATURE OF THE ACTION**

13 1. This is a federal securities class action on behalf of a class consisting
14 of all persons and entities other than the defendants, who purchased the common
15 stock of GrowLife between November 14, 2013 and April 9, 2014, inclusive (the
16 "Class Period"), seeking to recover damages caused by the defendants' violations
17 of federal securities laws (the "Class").
18
19

20 **JURISDICTION AND VENUE**

21 2. The claims asserted herein arise under and pursuant to Sections 10(b)
22 and 20(a) of the Exchange Act (15 U.S.C. § 78j(b) and 78t(a)) and Rule 10b-5
23 promulgated thereunder (17 C.F.R. § 240.10b-5).
24

25 3. This Court has jurisdiction over the subject matter of this action
26 pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C. §
27 1331.
28

1 9. Defendant John Genesi (“Genesi”) has been the Company’s Chief
2 Financial Officer since July 2013.

3
4 10. Defendant Marco Hegyi (“Hegyi”) has been the Company’s President
5 and a member of its Board since December 2013.

6
7 11. Defendant Rob Hunt (“Hunt”) has been the Company’s Executive
8 Vice Presidents and a member of its board since June 2013.

9 12. Defendant Eric Shevin (“Shevin”) was a member of the Company’s
10 Board from April 2013 until his sudden resignation in April 2014.

11
12 13. Defendant Alan Hammer (“Hammer”) has been a member of the
13 Company’s Board since December 2013.

14 14. Defendant Anthony Ciabattoni (“Ciabattoni”) has been a member of
15 the Company’s Board since December 2013.

16
17 15. Defendant Jeff Giarraputo (“Giarraputo”) has been a member of the
18 Company’s Board since December 2013.

19
20 16. Defendants Scott, Genesi, Hegyi, Hunt, Shevin, Hammer, Ciabattoni,
21 and Giarraputo are collectively referred to hereinafter as the “Individual
22 Defendants.”

23
24 17. Each of the Individual Defendants:
25 (a) directly participated in the management of the Company;
26 (b) was directly involved in the day-to-day operations of the
27 Company at the highest levels;
28

1 (c) was privy to confidential proprietary information concerning
2 the Company and its business and operations;

3
4 (d) was involved in drafting, producing, reviewing and/or
5 disseminating the false and misleading statements and information alleged herein;

6
7 (e) was aware of or recklessly disregarded the fact that the false
8 and misleading statements were being issued concerning the Company; and

9 (f) approved or ratified these statements in violation of the federal
10 securities laws.

11
12 18. As officers, directors and controlling persons of a publicly-held
13 company whose common stock is and was registered with the SEC pursuant to the
14 Exchange Act, and was traded on the OTCQB and governed by the provisions of
15 the federal securities laws, the Individual Defendants each had a duty to
16 disseminate accurate and truthful information promptly with respect to the
17 Company's financial condition and to correct any previously-issued statements that
18 had become materially misleading or untrue to allow the market price of the
19 Company's publicly traded stock to reflect truthful and accurate information.
20
21

22
23 19. GrowLife is liable for the acts of the Individual Defendants and its
24 employees under the doctrine of *respondeat superior* and common law principles
25 of agency as all of the wrongful acts complained of herein were carried out within
26 the scope of their employment with authorization.
27
28

1 During the nine-month period ended September 30, 2013, the
2 Company recorded **\$45,000** in compensation to members of its Board
3 of Directors, all of which was non-cash and paid via the issuance of
4 shares of the Company's common stock.

5 [Emphasis added.]

6 24. The Company further explained in its 2013 3Q 10-Q that it issued 1.0
7 million shares of its common stock to its Board Members as compensation and
8 expensed the issuance at \$0.2 per share, stating in relevant parts:
9

10 On September 30, 2013, the Company issued 1,000,000 shares of its
11 common stock to its two (2) independent members of the Company's
12 Board of Directors. These shares were issued on a non-cash basis and
13 were compensation for services rendered during the April – June 2013
14 period. ***These shares were valued at \$20,000 in the aggregate and
15 \$0.02 per share.***

16 [Emphasis added.]

17 25. The 2013 3Q 10-Q was signed by Defendants Scott and Genesi.
18 Accompanying the 2013 3Q 10-Q were separately executed Sarbanes-Oxley Act of
19 2002 ("SOX") certifications of Defendants Scott and Genesi falsely attesting to the
20 accuracy of the 2013 3Q 10-Q.

21 26. On March 31, 2014, GrowLife filed a Form 10-K for the fiscal year
22 ended December 31, 2013 ("2013 10-K") with the SEC.

23 27. With regards to the issuance of its common stock for services, the
24 Company stated in its 2013 10-K, in relevant parts:
25

26 During the twelve month period ended December 31, 2013, the
27 Company issued 44,150,110 shares of its common stock for services
28

1 rendered and wages to its employees. These shares were valued at
 2 \$1,428,636 and are detailed as follows:

| Shares for Services | |
|----------------------------------|---------------------|
| Wages paid to Company employees | \$ 369,875 |
| Consulting | 551,333 |
| Cannabis.org expenses | 29,334 |
| GrowLife Productions expenses | 65,000 |
| Public/Investor relations | 321,700 |
| Product/inventory acquired | 18,172 |
| Board Member compensation | 73,222 |
| | <u>\$ 1,428,636</u> |

9 [Emphasis added.]

10
 11 28. The Company explained in its 2013 10-K that it issued 10.5 million
 12 shares of its common stock to its officers as compensation and expensed the
 13 issuance at \$0.1 per share, stating in relevant parts:

14
 15 ***In March 2013, the Company issued 2,500,000 shares of its common***
 16 ***stock to Sterling Scott***, the Company's Chief Executive Officer, as
 17 consideration for services provided to the Company. These shares
 18 represent an installment due to Mr. Scott in relation to a Board grant
 19 from August 2012. ***The shares were valued at \$25,000 in the***
 20 ***aggregate.***

21
 22 ***In March 2013, the Company issued 2,000,000 shares of its common***
 23 ***stock to Justin Manns***, the Company's former Chief Financial
 24 Officer, a former member of the Company's Board of Directors, and
 25 the current Controller of GrowLife Hydroponics, Inc. The shares were
 26 issued as consideration for services provided to the Company. These
 27 shares represent an installment due to Mr. Manns in relation to a
 28 Board grant from August 2012. ***The shares were valued at \$20,000 in***
 29 ***the aggregate.***

30
 31 ***In November 2013, the Company issued 3,333,333 shares of its***
 32 ***common stock to Sterling Scott***, the Company's Chief Executive
 33 Officer, as consideration for services provided to the Company. These
 34 shares represent the final installment due to Mr. Scott in relation to a

1 Board grant from August 2012. *The shares were valued at \$33,333 in*
2 *the aggregate.*

3 *In November 2013, the Company issued 2,666,667 shares of its*
4 *common stock to Justin Manns, the Company's former Chief*
5 *Financial Officer, a former member of the Company's Board of*
6 *Directors, and the current Controller of GrowLife Hydroponics, Inc.*
7 *The shares were issued as consideration for services provided to the*
8 *Company. These shares represent the final installment due to Mr.*
9 *Manns in relation to a Board grant from August 2012. The shares*
10 *were valued at \$26,667 in the aggregate.*

11 [Emphasis added.]

12 29. The Company explained in its 2013 10-K that it issued approximately
13 3.9 million shares of its common stock to its Board Members as compensation and
14 expensed the issuance at \$0.2 per share, stating in relevant parts:

15 *During the twelve months ended December 31, 2013, the Company*
16 *issued 1,500,000 shares of its common stock to Eric Shevin, an*
17 *independent member of the Company's Board of Directors, as*
18 *consideration for his service as a Board member from April 1, 2013*
19 *through December 31, 2013. The shares were valued at \$30,000 in*
20 *the aggregate.*

21 *During the twelve months ended December 31, 2013, the Company*
22 *issued 1,683,333 shares of its common stock to Bob Kurilko, a*
23 *former independent member of the Company's Board of Directors, as*
24 *consideration for his service as a Board member from January 1, 2013*
25 *through November 2, 2013. The shares were valued at \$33,667 in the*
26 *aggregate.*

27 *During the twelve months ended December 31, 2013, the Company*
28 *issued 500,000 shares of its common stock to Craig Ellins, a former*
independent member of the Company's Board of Directors, as
consideration for his service as a Board member from January 1, 2013
through March 31, 2013. The shares were valued at \$10,000 in the
aggregate.

1 ***On December 31, 2013, the Company issued 83,333 shares of its***
2 ***common stock to Alan Hammer, an independent member of the***
3 ***Company's Board of Directors, as consideration for his service as a***
4 ***Board member from December 17, 2013 through December 31, 2013.***
5 ***The shares were valued at \$1,667 in the aggregate.***

6 ***On December 31, 2013, the Company issued 72,222 shares of its***
7 ***common stock to Anthony Ciabattoni, an independent member of the***
8 ***Company's Board of Directors, as consideration for his service as a***
9 ***Board member from December 19, 2013 through December 31, 2013.***
10 ***The shares were valued at \$1,444 in the aggregate.*** Mr. Ciabattoni's
11 shares have been issued to the Ciabattoni Living Trust, of which Mr.
12 Ciabattoni is the Trustee.

13 ***On December 31, 2013, the Company issued 72,222 shares of its***
14 ***common stock to Jeff Giarraputo, an independent member of the***
15 ***Company's Board of Directors, as consideration for his service as a***
16 ***Board member from December 19, 2013 through December 31, 2013.***
17 ***The shares were valued at \$1,444 in the aggregate.***

18 Commencing in August 2012, outside board members were awarded
19 2,000,000 shares per year which vest quarterly.

20 [Emphasis added.]

21 30. The Company also disclosed under the *Subsequent Events* section in
22 its 2013 10-K that it issued 2.0 million shares of its common stock to its Board
23 Members for services rendered during the first quarter of 2014 and expensed the
24 issuance at \$0.2 per share, stating in relevant parts:

25 ***On March 31, 2014, the Company issued 500,000 shares, 2,000,000***
26 ***shares in the aggregate, to each of its four (4) independent Board***
27 ***members as compensation for their Board service for the January 1,***
28 ***2014 through March 31, 2014 period. The shares were valued at***
 \$0.02 per share and \$40,000 in the aggregate and were issued in
 accordance with an August 2012 Board grant. The four independent
 Board members are Eric Shevin, Alan Hammer, Tony Ciabattoni, and
 Jeff Giarraputo.

1
2 [Emphasis added.]

3 31. The 2013 10-K was signed by Defendants Scott, Genesi, Hegyi, Hunt,
4 Shevin, Hammer, Giarraputo, and Ciabattini. Accompanying the 2013 10-K were
5 separately executed SOX certifications of Defendants Scott and Genesi falsely
6 attesting to the accuracy of the 2013 10-K.
7

8 **THE TRUTH EMERGES**

9
10 32. On April 9, 2014, the Company filed a Form 8-K with the SEC
11 announcing the abrupt resignation of Defendant Shevin as a Board Member, which
12 was effective as of April 1, 2014.

13
14 33. Following the announcement of Defendant Shevin's resignation, the
15 truth of GrowLife's materially inaccurate SEC filings began to reveal in a
16 piecemeal fashion.

17
18 34. On April 10, 2014, only a day after the announcement of Defendant
19 Shevin's resignation, the SEC announced the temporary trading suspension of the
20 Company's stock. The announcement states in relevant parts:

21
22 SECURITIES EXCHANGE ACT OF 1934
23 Release No. 71924 / April 10, 2014

24 The U.S. Securities and Exchange Commission announced the
25 temporary suspension, pursuant to Section 12(k) of the Securities
26 Exchange Act of 1934 (the "Exchange Act"), of trading of the
27 securities of GrowLife, Inc. ("PHOT"), of Woodland Hills, California
28 at 9:30 a.m. EDT on April 10, 2014, and terminating at 11:59 p.m.
EDT on April 24, 2014.

1 The Commission temporarily suspended trading in the securities of
2 PHOT because of *questions that have been raised about the*
3 *accuracy and adequacy of information in the marketplace and*
4 *potentially manipulative transactions in PHOT's common stock.*

5 [Emphasis added.]

6 35. On April 11, 2014, Creative Edge Nutrition, Inc., CEN Biotech and
7 RXNB announced the termination of their agreement with GrowLife in light of the
8 SEC's trading suspension. The announcement states in relevant parts:
9

10 MADISON HEIGHTS, MI--(Marketwired - Apr 11, 2014) - Creative
11 Edge Nutrition, Inc. (OTC Pink: FITX) (PINKSHEETS: FITX), CEN
12 Biotech and RXNB board of directors have decided to rescind the
13 agreement between CEN Biotech, RXNB, GrowLife and OGI.

14 The Company has learned today that the U.S. Securities and Exchange
15 Commission has suspended trading in the securities of GrowLife due
16 to questions that have been raised about the accuracy and adequacy of
17 information in the marketplace and potentially manipulative
18 transactions in GrowLife's common stock. In light of this
19 development and other contributing factors, RXNB and CEN Biotech
20 have advised the CEO of GrowLife and the Board of OGI that both
21 the RXNB Agreement and the CEN Biotech Agreement, and any and
22 all amendments to those agreements, are rescinded, void and of no
23 further force and effect.

24 36. On that same day, analyst Rolling O Research published a report
25 revealing inaccuracies with the Company's SEC filings, stating in relevant parts:
26

27 [L]et's just look at the three December 31, 2013 payments to the three
28 newest directors, Hammer, Ciabattone and Giarraputo. *They were*
awarded a total of 227,777 shares, which the company valued at
\$4,555 for expense purposes. Yet, at the December 31 closing price
of \$0.151, those shares should have resulted in a charge of \$34,394.
For these three directors alone, it appears that PHOT is
understating its expenses by nearly \$30 thousand.

1 Looking at the Subsequent Event "future charges" shown above, the
2 understatement would be even more astounding, due to the increase in
3 PHOT's stock price during the quarter (assuming this is not corrected
4 in the 10-Q for 1Q/14). ***On March 31, 2014, PHOT closed at***
5 ***\$0.5795. Therefore, the 500 thousand share payments to each of the***
6 ***four directors, while being listed by Growlife as \$40 thousand***
7 ***expense (at \$0.02), should be recorded as a \$1.159 million charge.***
8 ***That's a difference of \$1.1M!***

9 [Emphasis added.]

10 37. To date, trading in the Company's stock remains halted, making the
11 Company's stock illiquid and virtually worthless.

12 LOSS CAUSATION/ECONOMIC LOSS

13 38. During the Class Period, the Individual Defendants engaged in a
14 scheme to deceive the market and a course of conduct that artificially inflated
15 GrowLife's stock price and operated as a fraud or deceit on purchasers of
16 GrowLife stock by misrepresenting the Company's business. Once the Individual
17 Defendants' misrepresentations and fraudulent conduct were disclosed to the
18 market, GrowLife's stock price reacted negatively as the artificial inflation was
19 removed from it. As a result of their purchases of GrowLife stock during the Class
20 Period, Plaintiff and other members of the Class suffered economic loss.

21 39. The Individual Defendants' false and misleading statements had the
22 intended effect and caused GrowLife stock to trade at artificially inflated levels
23 throughout the Class Period.
24
25
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1 (e) GrowLife was followed by securities analysts who wrote
2 reports that were distributed during the Class Period. Each of these reports was
3 publicly available and entered the public marketplace;
4

5 (f) Numerous FINRA member firms were active market-makers in
6 GrowLife stock at all times during the Class Period; and
7

8 (g) Unexpected material news about GrowLife was rapidly
9 reflected in and incorporated into the Company's stock price during the Class
10 Period.
11

12 42. As a result of the foregoing, the market for GrowLife's common stock
13 promptly digested current information regarding GrowLife from all publicly
14 available sources and reflected such information in GrowLife's stock price. Under
15 these circumstances, all purchasers of GrowLife's common stock during the Class
16 Period suffered similar injury through their purchase of GrowLife's common stock
17 at artificially inflated prices, and a presumption of reliance applies.
18
19

20 **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

21 43. Plaintiff brings this action as a class action pursuant to Federal Rule of
22 Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all persons who
23 purchased the common stock of GrowLife during the Class Period and who were
24 damaged thereby. Excluded from the Class are the defendants, the current and
25 former officers and directors of the Company, members of their immediate
26
27
28

1 families and their legal representatives, heirs, successors or assigns and any entity
2 in which the defendants have or had a controlling interest.

3
4 44. The members of the Class are so numerous that joinder of all
5 members is impracticable. Throughout the Class Period, GrowLife's common
6 stock was actively traded on the OTCQB. While the exact number of Class
7 members is unknown to Plaintiff at this time and can only be ascertained through
8 appropriate discovery. Plaintiff believes that there are at least hundreds of
9 members in the proposed Class. Members of the Class may be identified from
10 records maintained by GrowLife or its transfer agent and may be notified of the
11 pendency of this action by mail, using a form of notice customarily used in
12 securities class actions.

13
14
15
16 45. Plaintiff's claims are typical of the claims of the members of the
17 Class, as all members of the Class are similarly affected by the defendants'
18 wrongful conduct in violation of federal law that is complained of herein.

19
20 46. Plaintiff will fairly and adequately protect the interests of the
21 members of the Class and have retained counsel competent and experienced in
22 class and securities litigation.

23
24 47. Common questions of law and fact exist as to all members of the
25 Class and predominate over any questions solely affecting individual members of
26 the Class. Among the questions of law and fact common to the Class are:
27
28

1 (a) whether the federal securities laws were violated by the defendants'
2 acts as alleged herein;

3
4 (b) whether the misstatements and omissions alleged herein were made
5 with scienter;

6 (c) whether statements made by the Individual Defendants to the
7 investing public during the Class Period misrepresented and/or omitted material
8 facts about the business, prospects, and operations of GrowLife; and

9
10 (d) to what extent the members of the Class have sustained damages and
11 the proper measure of damages.
12

13 48. A class action is superior to all other available methods for the fair
14 and efficient adjudication of this controversy since joinder of all members is
15 impracticable. Furthermore, as the damages suffered by individual Class members
16 may be relatively small, the expense and burden of individual litigation make it
17 impossible for members of the Class to redress individually the wrongs done to
18 them. There will be no difficulty in the management of this action as a class action.
19
20

21 **FIRST CLAIM**

22 **Violation of Section 10(b) of The Exchange Act and Rule 10b-5**
23 **Promulgated Thereunder Against All The Defendants**

24 49. Plaintiff repeats and realleges each and every allegation contained
25 above as if fully set forth herein.
26

27 50. This First Claim is asserted against Defendant GrowLife, and the
28 Individual Defendants.

1 51. During the Class Period, the defendants carried out a plan, scheme
2 and course of conduct which was intended to, and throughout the Class Period, did:
3 (1) deceive the investing public, including Plaintiff and other Class members, as
4 alleged herein; and (2) cause Plaintiff and other members of the Class to purchase
5 and/or sell GrowLife common stock at artificially inflated and distorted prices. In
6 furtherance of this unlawful scheme, plan and course of conduct, the defendants,
7 individually and as a group, took the actions set forth herein.
8
9

10 52. The defendants, individually and in concert, directly and indirectly, by
11 the use, means or instrumentalities of interstate commerce and/or of the mails,
12 engaged and participated in a continuous course of conduct to conceal adverse
13 material information about the business, operations and future prospects of
14 GrowLife as specified herein.
15
16

17 53. The defendants employed devices, schemes and artifices to defraud,
18 while in possession of material, adverse non-public information and engaged in
19 acts, practices, and a course of conduct as alleged herein in an effort to assure
20 investors of GrowLife's value and performance and continued substantial growth,
21 which included the making of, or the participation in the making of, untrue
22 statements of material facts and omitting to state material facts necessary in order
23 to make the statements made about GrowLife and its business operations and
24 future prospects in light of the circumstances under which they were made, not
25 misleading, as set forth more particularly herein, and engaged in transactions,
26
27
28

1 practices and a course of business that operated as a fraud and deceit upon the
2 purchasers of GrowLife's common stock during the Class Period.

3
4 54. Each of the defendants' primary liability, and controlling person
5 liability, arises from the following facts: (1) the defendants were high-level
6 executives, directors, and/or agents at the Company during the Class Period and
7 members of the Company's management team or had control thereof; (2) each of
8 the defendants, by virtue of his responsibilities and activities as a senior officer
9 and/or director of the Company, was privy to and participated in the creation,
10 development and reporting of the Company's financial condition; (3) each of the
11 defendants enjoyed significant personal contact and familiarity with the other
12 defendants and was advised of and had access to other members of the Company's
13 management team, internal reports, and other data and information about the
14 Company's finances, operations, and sales at all relevant times; (4) each of the
15 defendants was aware of the Company's dissemination of information to the
16 investing public that they knew or recklessly disregarded was materially false and
17 misleading; and (5) each of the defendants culpably participated in the wrongful
18 conduct alleged herein.
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24 55. The defendants had actual knowledge of the misrepresentations and
25 omissions of material facts set forth herein, or acted with reckless disregard for the
26 truth in that they failed to ascertain and to disclose such facts, even though such
27 facts were available to them. Such defendants' material misrepresentations and/or
28

1 omissions were done knowingly or recklessly and for the purpose and effect of
2 concealing GrowLife's financial condition and future business prospects from the
3 investing public and supporting the artificially inflated or distorted price of its
4 common stock. As demonstrated by the defendants' overstatements and
5 misstatements of the Company's financial condition and business prospects
6 throughout the Class Period, the defendants, if they did not have actual knowledge
7 of the misrepresentations and omissions alleged, were reckless in failing to obtain
8 such knowledge by deliberately refraining from taking those steps necessary to
9 discover whether those statements were false or misleading.
10
11
12

13 56. As a result of the dissemination of the materially false and misleading
14 information and failure to disclose material facts, as set forth above, the market
15 price for GrowLife's common stock was artificially inflated during the Class
16 Period. In ignorance of the fact that market prices of GrowLife's publicly-traded
17 common stock were artificially inflated or distorted, and relying directly or
18 indirectly on the false and misleading statements made by the defendants, or upon
19 the integrity of the market in which the Company's common stock trade, and/or on
20 the absence of material adverse information that was known to or recklessly
21 disregarded by the defendants but not disclosed in public statements by the
22 defendants during the Class Period, Plaintiff and the other members of the Class
23 acquired and/or sold GrowLife common stock during the Class Period at
24 artificially high prices and were damaged thereby.
25
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1 57. At the time of said misrepresentations and omissions, Plaintiff and
2 other members of the Class were ignorant of their falsity, and believed them to be
3 true. Had Plaintiff and the other members of the Class and the marketplace known
4 the truth regarding GrowLife's financial results, which were not disclosed by the
5 defendants, Plaintiff and other members of the Class would not have purchased or
6 otherwise acquired GrowLife common stock, or, if they had acquired such
7 common stock during the Class Period, they would not have done so at the
8 artificially inflated prices or distorted prices at which they did.

9 58. By virtue of the foregoing, the defendants have violated Section 10(b)
10 of the Exchange Act, and Rule 10b-5 promulgated thereunder.

11 59. As a direct and proximate result of the defendants' wrongful conduct,
12 Plaintiff and the other members of the Class suffered damages in connection with
13 their respective purchases and sales of the Company's common stock during the
14 Class Period.

15 60. This action was filed within two years of discovery of the fraud and
16 within five years of Plaintiff's purchases of securities giving rise to the cause of
17 action.

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24 **SECOND CLAIM**

25 **Violation Of Section 20(a) of The Exchange Act**
26 **Against the Individual Defendants**

27 61. Plaintiff repeats and realleges each and every allegation contained
28 above as if fully set forth herein.

1 62. This Second Claim is asserted against each of the Individual
2 Defendants.

3
4 63. The Individual Defendants acted as controlling persons of GrowLife
5 within the meaning of Section 20(a) of the Exchange Act as alleged herein. By
6 virtue of their high-level positions, agency, and their ownership and contractual
7 rights, participation in and/or awareness of the Company's operations and/or
8 intimate knowledge of aspects of the Company's revenues and earnings and
9 dissemination of information to the investing public, the Individual Defendants had
10 the power to influence and control, and did influence and control, directly or
11 indirectly, the decision-making of the Company, including the content and
12 dissemination of the various statements that Plaintiff contends are false and
13 misleading. The Individual Defendants were provided with or had unlimited access
14 to copies of the Company's reports, press releases, public filings and other
15 statements alleged by Plaintiff to be misleading prior to and/or shortly after these
16 statements were issued, and had the ability to prevent the issuance of the
17 statements or to cause the statements to be corrected.

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22 64. In particular, each of these defendants had direct and supervisory
23 involvement in the day-to-day operations of the Company and, therefore, is
24 presumed to have had the power to control or influence the particular transactions
25 giving rise to the securities violations as alleged herein, and exercised the same.
26
27
28

1 65. As set forth above, GrowLife violated Section 10(b) and Rule 10b-5.
2
3 By virtue of their positions as controlling persons, the Individual Defendants are
4 liable pursuant to Section 20(a) of the Exchange Act as they culpably participated
5 in the fraud alleged herein. As a direct and proximate result of the defendants'
6 wrongful conduct, Plaintiff and other members of the Class suffered damages in
7 connection with their purchases of the Company's common stock during the Class
8 Period.
9

10 66. This action was filed within two years of discovery of the fraud and
11 within five years of each plaintiff's purchases of securities giving rise to the cause
12 of action.
13

14 **WHEREFORE**, Plaintiff prays for relief and judgment, as follows:
15

16 (a) Determining that this action is a proper class action, designating
17 Plaintiff as class representative under Rule 23 of the Federal Rules of Civil
18 Procedure and Plaintiff's counsel as Class Counsel;
19

20 (b) Awarding compensatory damages in favor of Plaintiff and the
21 other Class members against all the defendants, jointly and severally, for all
22 damages sustained as a result of the defendants' wrongdoing, in an amount to be
23 proven at trial, including interest thereon;
24

25 (c) Awarding Plaintiff and the Class their reasonable costs and
26 expenses incurred in this action, including counsel fees and expert fees; and
27
28

