UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS

UNITED STATES SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. GOLDEN STATE EQUITY INVESTORS, INC., Defendant.	Civil Action No. **COMPLAINT**

Plaintiff Securities and Exchange Commission (the "Commission" or "SEC") for its complaint alleges as follows:

SUMMARY

1. Golden State Equity Investors, Inc., formerly known as Golden Gate Investors, Inc. ("GGI"), a California-based private equity fund, violated the registration provisions of 1933 ("Securities Act") through the offer and sale of Grifco International, Inc. ("Grifco") securities in unregistered transactions.

2. During the period from June 2005 through September 2006, Grifco, a publicly-traded company that claims to be an international provider of oil and gas services equipment, issued 15,750,000 purportedly unrestricted, nonexempt securities to GGI. The agreements underlying the unregistered stock transactions detailed that Grifco would issue GGI large blocks of Grifco stock in return for an up-front monetary advance and a large percentage of the net sales proceeds after the stock was sold into the marketplace.

3. Shortly after receiving its shares, GGI sold its Grifco stock to the investing public. Grifco then returned part of the proceeds to Grifco. None of the securities transactions were registered with the Commission and the transactions did not satisfy any exemption from registration. As a result of this conduct, GGI received nearly $3.8 million from the sale of newly-issued Grifco stock and remitted approximately $2.3 million of those proceeds to Grifco during 2005 and 2006. GGI's ill-gotten gains on these unregistered securities transactions, after expenses, were $1,269,907.

4. By engaging in this conduct, GGI violated Section 5(a) and Section 5(c) of the Securities Act of 1933 ("Securities Act") [15 U.S.C §§ 77e(a) and (c)].

JURISDICTION AND VENUE

5. The Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)]. GGI, directly, or indirectly, made use of the means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

6. Venue is appropriate in the Southern District of Texas under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)]. Certain of the acts, transactions, practices and courses of business constituting the violations alleged herein occurred within this district.

DEFENDANT.

7. Golden State Equity Investors, Inc., formerly known as Golden Gate Investors, Inc. ("GGI"), is a San Francisco, California-based self-described private equity fund that provides financing to small-cap publicly traded companies. GGI and a related company invest the personal holdings of one individual. GGI is neither a registered

broker-dealer nor a registered investment adviser and the employees primarily responsible for the Grifco transactions are not registered representatives, and have not acted as such.

OTHER RELEVANT INDIVIDUAL AND ENTITY

8. Grifco International, Inc. ("Grifco"), based in Conroe, Texas, is a publicly-traded corporation that claims to be an international provider of oil and gas services equipment. Grifco has never registered an offering of securities under the Securities Act or a class of securities under the Securities Exchange Act of 1934. Its shares are quoted by Pink Sheets operated by Pink OTC Markets Inc. ("Pink Sheets") under the symbol GFCI.

FACTS

9. On June 13, 2005, GGI employees participated in a conference call with a Grifco officer ("Officer"), in which the Officer told GGI that Grifco needed funds to purchase equipment and inventory immediately. On June 14, 2005, the parties executed a stock sale agreement pursuant to which Grifco issued GGI 1.5 million shares of purportedly unrestricted, nonexempt Grifco stock in return for an up-front monetary advance and a large percentage of the net sales proceeds. The agreement called for GGI to fund a portion of Grifco's stock sales up front and then split the remaining stock proceeds with Grifco after GGI had sold the stock into the marketplace.

10. On June 14, 2005, Grifco issued 1.5 million purportedly unrestricted shares to GGI, which GGI promptly transferred into one of its brokerage accounts. Two days later, on June 16, 2005, GGI received a two-sentence opinion letter from Grifco's

attorney, which indicated, in its entirety:

> **Please be advised that Grifco International, Inc. has properly and legally issued, via Transfer Line, 1,500,000 free trading shares of the company to Golden Gate Investors, Inc. The shares may be transferred to the purchaser and sold by the purchaser without limitation.**

11. On June 17, 2005, GGI wired $146,250 to Grifco. By close of business the following Tuesday, June 21, 2005, GGI sold over 140,000 Grifco shares into the marketplace. By the end of the first week, GGI sold nearly 300,000 Grifco shares (20% of the purportedly unrestricted offering), generating gross proceeds of over $222,000. By August 18, 2005, GGI had sold all 1,500,000 Grifco shares into the marketplace.

12. Soon after, on June 21, 2005 and June 29, 2005, GGI and Grifco entered into two additional stock sale agreements, which were virtually identical to the June 14, 2005 agreement. Each agreement called for Grifco to issue GGI 1.5 million shares of purportedly unrestricted Grifco shares and, in return, GGI provided Grifco with an upfront money advance and a large percentage of the net sales proceeds after GGI sold the stock. In each instance, GGI initiated trading within days of receiving the newly issued, unlegended Grifco certificates. By August 31, 2005, GGI had sold an additional 3,000,000 Grifco shares into the marketplace. GGI received another two-sentence opinion letter in connection with the June 21, 2005 transaction and no legal opinion in connection with the June 29, 2005 transaction.

13. In total, 4.5 million shares of purportedly unregistered Grifco stock were offered and sold by GGI between June 14, 2005 and August 31, 2005, with gross proceeds of approximately $2,017,338. GGI gave Grifco nearly $1.1 million from the sales. GGI's actual realized net profit on the 2005 stock sales was approximately $840,487 after expenses.

14. GGI failed to perform the necessary due diligence to determine whether the stock sale agreements with Grifco were in compliance with the registration provisions of the Securities Act. GGI relied entirely upon opinion letters and emails Grifco supplied to GGI, which represented, without explanation or justification, that the shares were "properly and legally issued" and could be sold "without limitation." However, the offers and sales of stock were not registered with the Commission and there were no applicable exemptions from registration.

15. In January 2006, GGI and Grifco entered into another stock sale agreement that covered multiple unregistered stock transactions. As with the 2005 agreements, the Grifco Officer represented to GGI that all of the funds sent to Grifco by GGI would be used to purchase equipment and inventory for Grifco. At the same time, the Grifco Officer also sought a personal loan from GGI of $400,000 in order to purchase a gentleman's club. GGI agreed to enter into the stock sale agreement and also agreed to make the personal loan to the Grifco Officer.

16. On Friday, January 20, 2006, Grifco and GGI executed a stock sale agreement for 3.75 million shares of purportedly unrestricted Grifco stock in return for an up-front monetary advance to Grifco, with Grifco receiving a majority percentage of the net sales proceeds. That same day, the Grifco Officer obtained the personal loan. The 2006 stock sale agreement provided that GGI had the option to enter into additional transactions on the same terms and conditions by giving written notice. That day, the Grifco Officer provided a signed written statement that "the Stock being issued to Golden Gate Investors under the January 20, 2006 Stock Sale Agreement (including additional transactions) has been and will be properly and legally issued by Grifco, may be

transferred to Golden Gate Investors and sold by Golden Gate Investors without limitation."

17. GGI did not request a legal opinion, and none was received. By close of business Friday, January 20, 2006, Grifco issued 3.75 million shares to GGI. On the next trading day, January 23, 2006, GGI sold 142,000 shares of Grifco into the marketplace. GGI sold all 3.75 million shares into the marketplace by April 10, 2006.

18. On April 11, 2006, GGI provided Grifco with written notice to enter into an additional transaction for 3.75 million shares pursuant to the terms of the 2006 agreement. On July 11, 2006, Grifco issued an additional 3.75 million purportedly unrestricted shares to GGI. Between July 12 and August 1, 2006, GGI sold all 3.75 million shares into the market.

19. On August 2, 2006, GGI provided Grifco with written notice to enter into an additional transaction for 3.75 million shares pursuant to the terms of the 2006 agreement. On September 27, 2006, Grifco issued an additional 3.75 million purportedly unrestricted shares to GGI. Between October 4 and December 13, 2006, GGI sold all 3.75 million shares into the market.

20. GGI neither received nor sought a legal opinion during 2006, and none was provided until October 3, 2006. The two-paragraph October 3, 2006 opinion, which purported to cover only the very last distribution of 3.75 million purportedly unrestricted shares of Grifco stock issued to GGI on September 27, 2006, indicated, in relevant part, that Grifco had "properly and legally issued . . . 3,750,000 free trading shares" of Grifco to GGI and that the shares may be "transferred to further purchasers and sold by those purchasers without limitation."

21. As with the 2005 unregistered transactions, GGI failed to perform the due diligence necessary to determine whether the 2006 agreement and the underlying transactions were in compliance with the registration provisions of the Securities Act and, instead, relied entirely upon Grifco's representations that the stock was free trading without restriction.

22. In total, 11.25 million shares of purportedly unregistered Grifco stock were offered and sold by GGI during 2006, with gross proceeds of approximately $1,773,431. GGI paid Grifco nearly $1.25 million from the stock sales. GGI's actual realized net profit on the 2006 sales was approximately $429,420 after expenses. None of the securities transactions were registered with the Commission and the transactions did not satisfy any exemption from registration.

CLAIM FOR RELIEF

(Violations of Section 5(a) and Section 5(c) of the Securities Act)

23. Plaintiff SEC hereby incorporates ¶¶ 1 through 23 with the same force and effect as if set out here.

24. As alleged above, GGI has, by engaging in the conduct described above, directly or indirectly, through use of the means or instruments of transportation or communication in interstate commerce or of the mails, offered to sell or sold securities or carried or caused such securities to be carried through the mails or in interstate commerce, for the purpose of sale or delivery after sale.

25. No registration statements were filed with the Commission or were in effect in connection with sales of, and offers to sell, securities of Grifco by GGI.

26. By reason of the foregoing, GGI violated Sections 5(a) and (c) of the Securities Act [15 U.S.C §§ 77e(a) and (c)].

PRAYER FOR RELIEF

WHEREFORE, the SEC respectfully requests that this Court enter a judgment:

(a) permanently enjoining GGI from violating Sections 5(a) and 5(c) of the Securities Act [15 U.S.C §§ 77e(a) and (c)];

(b) ordering GGI to pay disgorgement of $1,269,907, plus prejudgment interest of $257,672, representing the benefit from the conduct alleged herein;

(c) ordering GGI to pay a civil money penalty, pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)]; and

(d) granting such other relief as this Court may deem just and appropriate.

Dated: April 30, 2009

Respectfully submitted,

/s/ Fred L. Block /

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