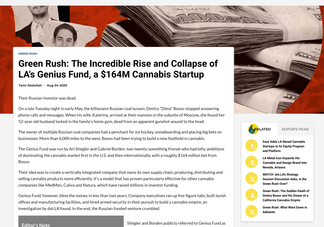

CANNABIS

Green Rush: The Incredible Rise and Collapse of LA's Genius Fund, a $164M Cannabis Startup

Tami Abdollah • Aug 24, 2020

Their Russian investor was dead.

On a late Tuesday night in early May, the billionaire Russian oligarch, Dmitry "Dima" Boxer, stopped answering phone calls and messages. When his wife, Katerina, arrived the next morning in the suburban Moscow mansion that 12-year-old backyard is lined in the family's home gym, dead from an apparent gunshot wound to the head.

The owner of multiple Russian cold compresses had a penchant for ice hockey, snowboarding and placing big bets on businesses. More than 6,000 miles to the west, Boxer had been trying to build a new foothold in cannabis.

The Genius Fund was run by Ari Singer and Gabriel Borden, two young entrepreneurs who had lofty ambitions of dominating the cannabis market first in the U.S. and then internationally, with a roughly $164 million bet from Boxer.

Their idea was to create a vertically integrated company that owns its own supply chain, producing, distributing and selling cannabis products more efficiently. It's a model that has proven particularly effective for other cannabis companies like MedMen, Curaleaf and Natura, which have raised billions in investor funding.

Genius Fund, however, blew the money in less than two years. Company executives ran up five-figure tabs, built lavish offices and manufacturing facilities, and hired armed security in their pursuit to build a cannabis empire, an investigation by dot.LA found. In the end, the Russian-funded venture crumbled.

Editor's Note

The story is pieced together from interviews with more than 30 former employees and business associates, current and retired county officials, as well as federal and county law enforcement officials, court filings, arbitration, arrest and corporate records in the U.S. and Russia, and internal Genius Fund documents. Some employees and business associates were spoken to dot.LA on condition that their names not be mentioned out of fear of reprisals.

This is first story in our "Green Rush" series. Read more:

- The L.A. Company That Promised Cannabis Profits to Black Families Is Now Under Fire for Its Business Practices
- Green Rush: The Incredible Rise and Collapse of L.A's Genius Fund, a $164M Cannabis Startup
- Weed Wars: How Cannabis Companies Are Fighting Over Who Gets Rich from Legalization in California

Singer and Borden publicly referred to Genius Fund as a cannabis venture, but the company's business model became like a family office for their high wealth investor, or a conglomerate that rolled up into one parent entity. They headquartered Genius Fund originally in Venice, California, and later, Culver City.

Genius Fund's expansive structure included more than 100 companies, spread across farming operations, CBD and THC manufacturing processes, product development, delivery operations and a retail front, according to domestic and international corporate filings. Each of Genius Fund's main operational entities had its own CEO or general manager.

At its peak, the overall business employed more than 300 employees and contractors, corporate records showed.

Genius Fund was one of dozens of new marijuana-related startups that have sprouted up in recent years after California legalized recreational marijuana. Like others chasing "green rush," Genius Fund wanted to position itself as an early giant in California's marijuana market, which is the world's largest legal pot market, according to 2019 industry reports. It's an industry that has generated nearly $13 billion in spending in the Golden State alone.

The company was beset with problems, according to former employees from all levels and areas of the organization who agreed to speak to dot.LA on condition that they not be named out of fear of reprisals.

"Not one person at the top knew what they were doing," said a former employee — a sentiment that was echoed by many of their former colleagues and repeated by the company's new CEO in his sworn testimony in $5.5 million lawsuit against the company and its Russian oligarch owner filed in April in the U.S. District Court for the Central District of California in Los Angeles.

Kismet

Ari Singer and Gabriel Borden first met while in college. They reconnected in early 2018 at a crypto-scene party that Borden threw in his family's Santa Monica, California, home. It was kismet in a way.

Business associates described Borden, now 26, as a shy but friendly and empathetic guy. The son of the executive producer and creator of Disney's "High School Musical," Borden had access to his father's Rolodex, according to his associates. Singer, now 28, was described by associates as brash and cocky, someone who knew how to talk a big game and sell investors on a vision, even if he may have known little about the industry.

Both were young serial entrepreneurs working out of the heart of Silicon Beach.

Early in their relationship, Singer arranged for Borden to be made an advisor for a cryptocurrency exchange company, then called Samsa Technologies Inc., which was founded in 2017 with another friend. Singer already had a history of pumping quickly from one business venture to another in search of hitting it big, according to former investors and business partners.

Singer spent office hours planning his own side businesses or watching YouTube videos, a former investor in one of Singer's earlier ventures, Rob Scanes, said.

Borden was good at nurturing relationships and bringing people to the table. He had always been attracted to business and will adept at reaching out to industry leaders, including major business executives and VPs, while at Loyola Marymount University. While in school, he helped get MedMen off the ground. That company would become Vertical Wealth based MedCare, which provides a self-insured health payment solution for the unbanked and underbanked.

Several months after their first meeting, they met with a possible Russian investor, Dmitry Borisovich Boxer, a contact of one of Borden's classmates at Loyola Marymount to talk about a possible investment in cannabis.

Singer said in an interview that Boxer wanted "good entrepreneurs in LA to run a cannabis company" for him.

"He really liked us and basically said, 'Hey, you guys need to quit your companies and come work for me,'" Singer told dot.LA. "It's not every day that someone offers to invest millions of dollars into a company. So we were like, 'OK, yeah, sure we can do this right now'."

Singer's company, Borden, did not reply to multiple requests for comment.

The new opportunity came with the promise of $160 million investment for the cannabis business even though neither he nor Borden had any experience in the industry, according to two people with knowledge of the meeting.

With the promise of millions and a hefty chunk to start, the company called Genius Fund was underway.

At a remodel of Genius Fund's website from August 2018 shows the company's leadership team. Top left to bottom right: Ari Singer, Gabriel Borden, Danny Abeyzera, Andrew Dillard, Rishma Shah, Dmitri Gazya and Chris Clifford

A Ticket to 'Generational Wealth'

The early days of the company were an exciting time. Singer served as the company's CEO and CTO, while Borden served as secretary, according to state corporate records. But they referred to themselves as managing partners, according to multiple employees and the company's website. Two Russian executives were also referred to as managing partners at Genius Fund, one was Boxer's friend, Andrey Pivovarov, who headed up marketing, and the other was Borden's college classmate, Danny Abeyzera, who was known Boxer through his father, Mikhail Abyzov, another Russian oligarch.

Abyzov, the father, once served as a minister in former Prime Minister Dmitry Medvedev's cabinet and was arrested in 2014 on charges of allegedly embezzling $62 million and depositing the money in foreign accounts, according to Russian and other media reports. Abyzov obtained real estate and Russian state media reports that he remains jailed this attorney did not reply to an emailed request for comment. Abyzov's duties as a cabinet minister had been to make Russian government transparent and accountable, according to Russian government records.

The two cannabis executives' ties to Russian oligarchs could be taken for granted, several former employees said.

Friends and business associates said they heard Singer say that Genius Fund was his ticket to "generational wealth." He and Borden focused on being up new firms and possible partners to start work.

Singer hired his roommate and frat brothers from the University of Southern California, some of whom he plucked out of jobs as a manager at a pizza joint, a worker in a restaurant, a bouncer and bartender; to become analysts or work specialized roles like growing 1,000 acres of Genius Fund's various entities, according to their LinkedIn profiles and interviews with former employees. Many made more money than they had ever made in their lives, former employees said in interviews.

From leased cultivation fields to manufacturing facilities for CBD and THC, product lines, even a brand incubator and a retail store, by the fall of 2019, the multi-faceted company operations were mostly up and running.

It was a time of fast growth, with millions in investor funds — as much as $20 to $20 million — wired every few weeks from Boxer's company in Russia, corporate records showed by dot.LA show. Russian investors have flocked to the cannabis industry in the U.S. as traditional banks have stood away from it, even though the plant is illegal in their homeland.

Many employees left jobs at well-known brands, including places like MedMen, to work for Genius Fund.

"Everything was optimistic, in a 'things are about to take off' sort of way," said a former employee.

The company's early hires worked out of two low-work apartments in Venice, right by the beach. When Boxer and his wife visited around last spring, one of the apartments — a one-bedroom, one bath — was so clogged with office furniture and desks it was difficult to move around. Neighbors complained about dozens of people going in and out all day, according to a person with direct knowledge.

Genius Fund's executives had high ambitions and needed bigger digs. Its roughly 35 staffers moved into a new 12,895 square-foot office, complete with the building's original, thermal-arch bowstring roof and floor-to-ceiling windows in Culver City in the spring. The parking lot featured a Tesla supercharging station.

Genius Fund paid $2 million in cash upfront to lease the property, along with two months of rent, at roughly $65,000 per month, according to corporate records and two former employees with direct knowledge of the lease terms.

The Genius Bonsai at Thrill Hollywood was the only store the company opened.
Photo by Tami Abdollah

The High Life

In the early days, Singer and Borden treated every few weeks to places such as Ferris de Miami, Italy to meet with their Russian investor and to party on yachts. Singer also traveled at Boxer's request to Russia and Cabo San Lucas in Mexico, where Boxer frequently stayed.

The two created a high-life culture, regularly flying in private jets, former employees said. To view an investor, company executives rented a catamaran. Singer enjoyed meals out at expensive restaurants, according to two business associates, and demand a pricey Rolex be delivered gave him for his birthday.

Genius Fund executives bought both business and non-business items with company funds, including luxury vehicles such as Escalades and Teslas, "lady luxuries that Singer regularly cost in excess of $1,000," and same day business class one-way tickets "without any business need for such wasteful spending," according to allegations in Genius Fund's ex-CEO Francis Racioppi's whistleblower retaliation lawsuit against the company.

Singer said the $1,500 was for a meal service for employees at the company. He added that he, Borden and Prusnow all had an ownership interest in the company, but Boxer was the majority owner and signed off on all investments and hiring decisions.

"He's the boss, but, like, we're here to, you know, execute his objectives on the ground," Singer said. "I was kind of just a fancy employee really."

When someone needed to be picked up at the airport, company officials realized they didn't have a "Genius Mobile." So the company purchased a new black Mercedes Sprinter with customizations that included fancy upholstery with Genius Fund's logo and a flat-screen TV, former employees said.

Genius Fund bankrolled spent money "recklessly" with some company executive insisting on purchasing desks, computers and monitors for more than 50 potential employees when the company had no immediate plans to hire, according to allegations in the ex-CEO's court documents.

"Boxer was giving a lot of money with very little questions," former executive Evan Kagan said.

The interior of Genius Fund's Mercedes Sprinter van with custom upholstery.
Photo provided by a source who prefers to remain anonymous

Employees charged personal expenses like spa visits to their company cards, according to former employees with direct knowledge. Another Genius Fund employee used the company-issued credit card to donate $2,000 to the Trump Victory PAC in Massachusetts, according to Federal Election Commission data. Corporate records show a matching charge on a Genius Fund Amex card.

Meanwhile, personal items like surfboards, dozens of voice recorders and a GoJo hand, were purchased by Genius Fund for Boxer and shipped or couriered to his Russian or Italy, the ex-CEO's lawsuit alleges.

"Yes, we bought a Tesla, but it was Dima's personal Tesla and he repaid for it," Singer said. "Yes, we bought him a surfboard for his birthday. But, whatever. It's his stuff. I bought it and he invested a ton of money in the company."

In addition to the Tesla, former employees said, Boxx utilized the company's staff for upkeep and maintenance of the couple's Beverly Hills residence, the lavish estate, Hts wife used for Genius Fund and Epiphany Cannabis Fashion shopping trips at Chanel in Monaco and Luisa Via Roma in Florence, Italy, according to company records.

"Where funds that were sent into the company bank account used for personal things that Dima and his family needed in L.A.," Racioppi said. "If they needed a car for a vacation, we would go rent a car. When they went to dinner, they used the company credit card so that then they would reimburse the company," he added. "They didn't have anyone to be their helper in L.A. We were their helpers."

Inside the company, a toxic culture was forming, according to former employees who were there.

Genius Fund hired models and nightclub dancers to dress in strippy clothing for its exhibits at trade shows, former employees said.

Multiple former business colleagues told dot.LA they heard Singer make sexist, demeaning comments about women, the kinds of dating women aren't as skilled at business as men are. Former employees said they saw Singer look women up and down, use their genders in his negotiations, and make comments about what women were good at over anyone's. Former employees also remember hearing that a female executive assistant was upset after Singer noted a scheduled hookup with a "hot Swedish" chick on his work calendar. A friend of Singer's remembers his bragging and laughing as he recounted the same story.

Singer denied those characterizations.

"Absolutely not," he said. "I come from a nice Jewish family, you don't do that, you don't treat employees like that or say rude things."

Former business associates described Singer as someone who didn't care what anyone thought, so long as his actions could be justified legally.

By the end of 2019, Genius Fund planned for the cannabis empire to be up and running and already in the black.

The company grew a complicated infrastructure, with roughly 20 active entities, each with its own books, and multiple bank accounts that former employees said were supposed to be used for operations. dot.LA found in public records more than 50 business entities, including one in Canada, that Genius Fund registered or acquired during its less than two years in operation.

Avril Sharma, CEO of FirsCouse and former U.S. Treasury official who dealt with money laundering said that generally — not about Genius Fund — having upward of 20 plus different entities seems excessive for a mom-and-pop startup. But he added, some companies do create sub-entities for potential future spinoffs, mergers or acquisitions of other businesses, and to protect intellectual property or avoid lawsuits.

Cannabis-related businesses already operate in a stranger gray area between federal laws that make marijuana illegal and states that have decriminalized it, he said. Federal banks, for instance, have strict rules on business practices that may appear shady, but are in fact workaround. They may have no other choice, he said.

Genius Fund's former CEO Racioppi characterizes the company's story as a "torrid tale of corporate mismanagement, subterfuge, and fraud involving an amalgam of cash companies that self-identify as part of the "Genius Fund Group." In his whistleblower retaliation lawsuit.

Attorneys representing the defendants responded in the case that Racioppi was never terminated and characterized him as a disgruntled CEO who was unwilling to take direction from the new owner. They argue the case should be in arbitration, not in court.

"An employee's frustration that he was not given greater freedom to operate a company as he wished does not constitute breach of an employment contract," the response said, noting that Racioppi had never sent even a resignation notice.

Many former Genius Fund employees said they still don't know what to think of their time with the company. Rumors about the real intentions of Boxer's financial backing were common, some former employees told dot.LA.

"A lot of us were not sure," a former employee said. "It looks funny, shady, but maybe nothing illegal is actually happening, and maybe, maybe it's just stupidity as well. We were all like, 'Maybe, maybe'."

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This is the first in dot.LA's "Green Rush" series looking at the rise and fall of cannabis-related startup Genius Fund. Read part two and three, and four and sign up for dot.LA's newsletter to be notified about new stories.

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